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McCleary, James Thompson

The financial bill ...

Washington

1900

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v 68
McCleary, James T[hompson], 1853-1924.
The financial bill... speech in the House of representatives...December 14, 1899. Washington, 1900.
cover-title, 40 p. 23 cm.

Vol. of pamp.

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## TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 10:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 11-11-97 INITIALS: PB

TRACKING # : 29546

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# SPEECH

OF

## HON. JAMES T. McCLEARY,

OF MINNESOTA,

IN THE

## HOUSE OF REPRESENTATIVES,

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The House being in Committee of the Whole on the state of the Union, and having under consideration the bill (H. R. 1) entitled "A bill to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, and for other purposes"—

Mr. McCLEARY said:

Mr. CHAIRMAN: The bill now under discussion has two general purposes, namely, the unequivocal legal recognition of the gold standard in this country and the liberalization of our system of bank-note issues. With both of these purposes I am in hearty sympathy.

Before beginning the discussion of certain facts and principles embodied in the bill, I can not forbear expressing my surprise at the change which I see in the actions of our friends on the other side of the main aisle. I well remember that in other Congresses whenever the question of money was under consideration they were eager and anxious to substitute for any pending measure a proposition for "the free and unlimited coinage of silver at the ratio of 16 to 1." They charged down the aisle with fire in their eyes and determination in their movements. Thus far in this discussion I have heard only four of them express any interest in the proposition formerly so ardently advocated. Let me name the illustrious four: Mr. COCHRAN of Missouri, Mr. OTEY of Virginia, Mr. SULZER of New York, and Mr. TERRY of Arkansas. Others may have undertaken to uphold the Chicago platform, but if so, it has not been my fortune to hear them. What means this change? Is it to be taken as an indication that the once devout Free Silverites are beginning to waver in the faith?

THEY MUST ADHERE TO 16 TO 1 OR SURRENDER THEIR CASE.

It is rumored, Mr. Chairman, that our friends on the other side are trying to reorganize their shattered forces under a banner emblazoned with the single word "bimetallism." It is understood that doubt has been expressed by persons high in their councils as to the absolute sacredness of the ratio of 16 to 1. But, Mr. Chairman, I wish to warn our friends that the moment they abandon the ratio of 16 to 1 they practically abandon their whole case.

SILVER HAS NOT BEEN DEMONETIZED.

As I said before, Mr. Chairman, our friends on the other side seem to be reluctant to discuss the question of the standard. I am curious to see what kind of an argument they could make in the light of the experience of recent years. For the purpose of provoking such discussion I now boldly declare that in the proper sense of the term silver has not been demonetized in this country.

Mr. SULZER. We deny that.

Mr. McCLEARY. You enter a general denial?

Mr. SULZER. We enter a specific denial, and call your attention to the act of 1873.

Mr. McCLEARY. My attention has been called to that act at least two or three times before. [Laughter on the Republican side.] I shall have occasion to refer to it again in the course of my remarks.

Mr. Chairman, an aphorism often carries more weight than an argument. A single phrase may become the shibboleth of a campaign. Thus, for years the rallying cry of the Free Silverites has been the so-called "demonetization of silver." That cry has been woefully misleading. It has aroused the resentment of untold thousands of good people and has secured for the advocates of a change in our system of coining silver innumerable votes which they never could have secured had the real facts been fully understood.

Of course, Mr. Chairman, I know that good writers on both sides of the controversy have spoken of silver as having been "demonetized." I understand, too, that the truth of my statement rests upon the definition of that term. I have no disposition to quibble over words. It is for the purpose of calling attention sharply to the actual facts in the case that I make the statement that silver has not been demonetized.

To "demonetize" means to put out of use as money. Wampum and tobacco were at one time used in this country as money. They are not so used now. Of wampum and tobacco, therefore, it may properly be said that they have been demonetized. But one needs only to look into his purse to see that silver is still used as money; hence my statement that silver has not been demonetized.

SILVER IS NOW COINED ON GOVERNMENT ACCOUNT.

To illustrate in another way what I mean, Mr. Chairman, by saying that silver has not been demonetized in this country, I will cite the practice which now prevails in grinding wheat into flour, as compared with the practice which formerly prevailed. Fifty years ago nearly all of the flour mills of the country were what were known as "custom mills." The old-fashioned gristmill was built by the side of a stream, to be run by water power. It cost little to build such a mill or to operate it. To that mill any farmer living in the neighborhood might bring his wheat, in large or small quantities, to be ground into flour and handed back to him in that form. If no one brought a grist, the mill remained idle. The mill was run on the policy of grinding for individuals who desired to have their wheat converted into flour.

In recent years a different policy has been adopted. A milling property is now a very expensive thing—expensive to build and requiring a large number of employees to operate it. The owners of the property can not without loss allow it to stand idle. They can not afford to wait for this, that, and the other man to bring a grist for grinding. The mill must be kept in operation all of the time. That fact has necessitated a change in the policy of running the mill. In order that they may have wheat on hand at all times for grinding, the owners of such a mill must go out into the market and buy wheat and store it in their own warehouses. The wheat that is ground belongs to the milling company, as does the flour that is made from it. If to such a mill you take some wheat to be ground into flour for you, you will meet with refusal. The mill is closed to the individual; it is open only to the company. Such a mill we call a "merchant mill."





Similarly, Mr. Chairman, there are two policies of coinage. The Government may follow in its coinage either the policy of the custom miller or that of the merchant miller. If, on the one hand, the Government accepts, from every man who has a money metal, that metal and converts it into the form of coin for him, handing back to him the actual coin made out of his own metal—that is, if the Government follows the policy of the custom miller and makes coin for anyone who has the metal out of which to make it—coinage is said to be "on private account." But if, on the other hand, the Government adopts the policy of going into the market and itself buying such amounts of money metal as it deems proper and converting it into coin at such times and in such amounts as it deems best in the interest of the public—that is, if the Government follows the practice of the merchant miller and coins only metal belonging to itself—coinage is said to be "on Government account."

Now, Mr. Chairman, is there a person within the sound of my voice who would say that because the mills are no longer open to the grinding of wheat for individuals that wheat has been "defoodized?" I trow not. Though ground in merchant mills on company account, flour is still used for food and used in larger quantities than ever before.

Silver in this country has for many years been coined only on Government account, but silver is used in this country as money in immensely larger quantities than when it was coined on private account. And the Government holds itself ready to provide all the silver coin that the people of this country can use in their commercial transactions. Hence I say it is both improper and misleading to say that silver has been demonetized.

It may be noted, parenthetically, that we are doing this coining of silver at the ratio of 16 to 1, and of course "without asking the aid or consent of any other nation on earth."

Mr. RIDGELY. Will the gentleman allow an interruption just there?

Mr. McCLEARY. Certainly.

Mr. RIDGELY. Does the gentleman propose to permit the owner of silver to have it coined on his own account when he takes it to the mill as a grist, or must he wait and take his chance of getting it coined when the miller chooses to do so?

A POPULIST CAN NOT FAVOR "FREE COINAGE" OF SILVER.

Mr. McCLEARY. Why, Mr. Chairman, I have just stated that for many years the coinage of silver in this country has been on Government account. The Government controls the volume of silver coined. We favor the continuance of that policy.

My friend from Kansas [Mr. RIDGELY] is a Populist. To him, therefore, since he has interposed a question, I desire to submit a proposition.

The Populist party was the first in this country to declare for the free and unlimited coinage of silver at the ratio of 16 to 1.

And yet, Mr. Chairman, strange as it may seem, a Populist can not be a Free Silverite without either denying the foundations of his faith or throwing logic to the dogs.

Mr. RIDGELY. That is your opinion.

Mr. McCLEARY. Let me show the truth of my statement. The fundamental proposition of Populism is that "the making of money is one of the sovereign prerogatives of government, and the volume of money should be controlled by the Government."

The so-called "free coinage" of silver means the coinage of silver on private account. That is, to be more explicit, "free and unlimited coinage" of silver means coinage of silver for individuals, in such quantities as they may wish, and without charge for mintage.

Under a "free-coinage" policy the owner of silver bullion could take the silver to the mint for coinage and use it as money, or he could refrain from doing so, just as he might see fit. That is, the volume of silver coin in the country would be absolutely under the control of the men who own the silver bullion. That is, the control of the volume of silver coin would be transferred from the hands of the Government, where it now is, to the hands of individuals.

But Populists declare as the foundation of their faith that such control should be in the hands of the Government. Therefore they can not favor a proposition to turn such control over to individuals; that is, Mr. Chairman, they can not logically be Free Silverites.

But the free-silver proposition has been the most prominent plank in their platform. So I am forced to the conclusion, Mr. Chairman, that Populists either do not know what this so-called "free coinage" of silver really means or else that they are not very logical after all.

Mr. RIDGELY. Will the gentleman permit me to reply?

Mr. McCLEARY. Certainly; but not in my time. It is too brief to permit further interruptions on this point. The gentleman will have time of his own. But I venture the prediction now that when my friend considers my proposition with care he will see that it is true and will not undertake to refute it. And in good conscience the Populist party, if such still exists, should abandon its "demand" for free silver coinage.

IN ALL THIS CENTURY WE HAVE NOT COINED A SINGLE SILVER DOLLAR ON PRIVATE ACCOUNT FOR USE AS MONEY.

Mr. Chairman, when I made the statement a short time ago that silver has not been demonetized in this country, the gentleman from New York [Mr. SULZER] interrupted me with a denial of my statement and referred me to the act of February 12, 1873. I promised him then that I would say a few words more about that act. What did the act of 1873 provide in relation to silver? Let it be remembered, sir, that it continued the coinage of subsidiary silver without any change whatsoever except that for the silver half dime was substituted the nickel 5-cent piece. The whole outcry which has in recent years been raised against the act of 1873 is based upon the fact that it definitely discontinued the coinage of the silver dollar of 412.5 grains of standard silver on private account.

Now, Mr. Chairman, in order to appreciate the importance of this omission, the awfulness of the "crime" thus committed, I desire the special attention of our friends on the other side of the Chamber to the fact that during all the years of this century





before 1873, during that period which they point to as the period when the mints of the United States were "open to the free and unlimited coinage of silver"—during all that period, Mr. Chairman, *not one solitary silver dollar piece was coined in the United States for use as money!* This statement seems to be startling to our friends, but it is nevertheless true. In order that I may show the truth of the statement, it will be necessary for me to give a brief history of coinage in the United States.

THE COINAGE ACT OF 1792.

The Constitution of the United States, which went into operation in 1789, authorizes Congress (Article I, section 8)—

To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures.

In the tenth section of the same article the power to coin money (which under the Articles of Confederation had been exercised by the States as well as by the United States) is taken from the several States in the following language:

No State shall * * * coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts.

These are the only provisions of the Constitution which refer to the power over coinage.

From the above it will be seen that by the Constitution the power to coin money is vested exclusively in the United States, under regulations to be prescribed by Congress. Congress has sole power over the matter. "Congress shall have power to coin money." *There is absolutely no constitutional limitation on that power.* Congress can decree what metals the coins shall be made of and can determine whether the coinage should be on private account or on Government account, and from its decision there is no appeal.

In all the chief commercial countries, when the Constitution was adopted, the principal coins were of gold and silver, and the coinage of both was on private account. Naturally this young country followed the example of the older countries.

When it was determined to establish a mint, one of the first questions was, What should be the unit of value? Should it be the pound sterling, with its divisions into shillings and pence, or should some other unit be selected? American practical sense decided the matter. The pound sterling is divided into 20 shillings, each shilling into 12 pence, and each penny into 4 farthings. Because of this irregular scale, computation in English money is difficult. The founders of the Republic determined to select a different unit, divide it into ten equal parts, and each of these parts into ten equal parts, so that the notation of our money system should conform to the ordinary decimal notation, to the end that computations involving money should be easily performed.

But what should the unit be? The name and its physical embodiment should both be familiar, because people are reluctant to accept money that is unfamiliar in name or appearance. Circulating in all of the thirteen States was the "old Spanish milled dollar." When fresh from the mint it contained about 376 grains of pure silver. But the coins which were circulating in this country were more or less worn. It was finally determined that the unit should be called a "dollar" and that it should be of the *average* value of the Spanish milled dollars then in circulation.

Everyone understood in those days, Mr. Chairman, that the value of a coin made on private account was exactly that of the metal in the coin. To determine the average value, therefore, of the

Spanish silver dollars then current, it was determined to collect a number of them indiscriminately, some being much worn and some little worn, put them into a scale and weigh them, and then divide the aggregate weight by the number of coins in the scale. The result of this experiment was to show that on the average the Spanish silver dollars then current contained 371¼ grains of pure silver. Thus was determined the size of the silver dollar. In the language of the act of 1792 there were to be coined—

Dollars or units, each to be of the value of a Spanish milled dollar as the same is now current and to contain three hundred and seventy-one grains and four-sixteenths part of a grain of pure, or four hundred and sixteen grains of standard, silver.

HOW THE RATIO WAS ESTABLISHED.

But gold was to be coined also. And the next question that arose was, How large should the gold dollar be? This, of course, depended on how valuable gold was as compared with silver. How was the relative value or ratio to be determined? Hamilton's view was that the ratio for coinage purposes should be the commercial ratio of the two metals. "There can," he said, "hardly be a better rule in any country for the legal than the market proportion." With this view Jefferson concurred, saying:

Just principles will lead us to inquire into the market price of gold in the several countries with which we shall be connected in commerce, and to take an average from them.

Upon investigation it was found that at that time the commercial ratio of gold to silver was 15 to 1. This was adopted as the legal ratio, section 11 of the mintage act of April 2, 1792, providing as follows:

SEC. 11. *And be it further enacted*, That the proportional value of gold to silver in all coins which shall by law be current as money within the United States shall be as fifteen to one, according to quantity in weight of pure gold or pure silver: that is to say, every fifteen pounds weight of pure silver shall be of equal value in all payments with one pound weight of pure gold, and so in proportion as to any greater or less quantities of the respective metals.

The size of a silver dollar having been fixed at 371.25 grains of pure silver and the coinage ratio at 15 to 1, the number of grains of pure gold to the gold dollar was, of course, determined by dividing 371.25 by 15. The quotient, 24.75, was the number of grains of pure gold to the gold dollar.

Hamilton was in favor of coining the $1 gold piece, "in order to have a sensible object in that metal as well as in silver to express the unit;" but after some discussion of the matter it was concluded that a gold dollar piece was too small a coin for practical money uses. It was decided to coin the eagle or $10 gold piece, to contain ten times 24.75 grains of pure gold, or in the language of the act of 1792—

Eagles, each to be of the value of ten dollars or units and to contain two hundred and forty-seven and four-eighths grains of pure or two hundred and seventy grains of standard gold.

Half eagles and quarter eagles—to contain, respectively, one-half and one-quarter the amount of gold contained in the eagle—were also provided for.

Provision was also made for the coinage of half dollars, quarters, dimes, and half dimes of silver. These coins were to be exactly one-half, one-fourth, one-tenth, and one-twentieth the weight of the one-dollar silver piece, respectively, and were to be of the same degree of fineness as that coin.

All of the above-named coins provided for were to be a full legal





tender at their face value, if of full weight, section 16 of the act of 1792 reading as follows:

SEC. 16. *And be it further enacted*, That all the gold and silver coins which shall have been struck at and issued from the said mint shall be a lawful tender in all payments whatsoever, those of full weight according to the respective values hereinbefore declared, and those of less than full weight at values proportional to their respective weight.

Evidently, Mr. Chairman, the fathers of the Republic did not believe in the modern Popocratic theory that "it is the stamp of the Government that gives value to the coin," but believed as we do now that the value of the coin, when made on private account, was derived from the value of the metal in the coin and was proportional to its weight; for the law provided that worn or abraded coins, though still plainly bearing the stamp of the Government, were to be a legal tender, not at their full face value, but at such proportion of that value as the weight of the abraded coin bore to its weight when fresh from the mint.

OUR FIRST EFFORT AT "BIMETALLISM."

Thus we see, Mr. Chairman, that our fathers started out with the idea of having both gold and silver used as money—gold for the large transactions and silver for the small transactions. The mints were open to the coinage of both gold and silver on private account. There was to be no charge for mintage; coinage was to be "free." There was to be no limit on the amount which any person could have coined except his ability to provide the metal; coinage was to be "unlimited." The coinage ratio conformed to the market ratio. They put $5 worth of silver into 5 silver dollars and $5 worth of gold into the $5 gold piece. Legally and commercially the 5 silver dollars were exactly equal in value to the $5 gold piece.

After thus taking every precaution that human foresight could suggest to secure that end, our fathers had a right to expect that both gold and silver would be brought to the mint to be coined and used as money. But in that expectation they were disappointed. How did this come about?

For reasons that need not be detailed here the commercial value of silver soon fell slightly, so that the silver in 5 silver dollars was worth a little less in the market than the gold in a half eagle. Men found it profitable to sell gold and buy silver and take it to the mints to be coined and used in the payment of their obligations. Silver became the money of business, and gold did not circulate as money. Nominally we had two standards, but practically we had only one. That one was silver. Measured by the standard of silver the gold in an eagle was worth more than $10. That being true, men would not pass it out as $10. The two things that I desire to emphasize at this point are:

First. That silver soon became the actual standard of value.

Second. That gold, though a little was coined each year, did not circulate to any great extent as money, and soon ceased to circulate at all.

That is, Mr. Chairman, while in law we had bimetallism, in practical fact we had silver monometallism, both as to the actual standard and as to the actual currency.

THE PERIOD OF SILVER MONOMETALLISM.

In the early part of this century our people had comparatively little use for money. Not only were they poor, but each family tried so far as possible to produce everything that it consumed.

They made few exchanges and hence had little use for instruments of exchange. But as the people grew in wealth, in taste and in the ability to gratify their tastes, "homemade" things were gradually discarded and industry began to differentiate. Then arose the necessity for exchanging products, and with that came the necessity for more and better instruments of exchange, more and better money. In the days of poverty and "homemade" goods, silver, and little of it, served the purposes of the people very well. But as early as 1819 the question began to be agitated, "Why do we not have gold in circulation?" On February 2, 1821, the Committee on Currency submitted a report to this House, saying, among other things:

> On inquiry they find that gold coins, both foreign and of the United States, have, in a great measure, disappeared; and from the best calculation that can be made there is reason to apprehend they will be wholly banished from circulation, and it ought not to be a matter of surprise, under our present regulations, that this should be the case. * * * There have been coined at the Mint of the United States nearly $6,000,000 in gold. It is doubtful whether any considerable portion of it can at this time be found within the United States.

The demand for gold coins continued to grow. The business men of the country urged upon Congress the necessity of getting gold coins into circulation. About 1830 a Select Committee on Coins was appointed by the Speaker to investigate this subject. In 1831 this committee made a report through Hon. Campbell P. White, expressing its judgment in the following very significant language:

> That there are inherent and incurable defects in the system which regulates the standard of value in both gold and silver; its instability as a measure of contracts and mutability as the practical currency of a particular nation are serious imperfections, while the impossibility of maintaining both metals in concurrent, simultaneous, or promiscuous circulation appears to be as clearly ascertained.
>
> That the standard being fixed in one metal is the nearest approach to invariableness and precludes the necessity of further legislative interference.

In 1832 the Select Committee on Coins submitted another report, from which report I take the following statements:

> The committee think that the desideratum in the monetary system is the standard of uniform value; they can not ascertain that both metals have ever circulated simultaneously, concurrently, and indiscriminately in any country. * * * and they entertain the conviction that the nearest approach to an invariable standard is its establishment in one metal.

The purport of these words, Mr. Chairman, can not be misunderstood. They show that as early as 1830 some, at least, of the people had begun to see that with coinage of both metals on private account at a fixed ratio there was "impossibility of maintaining both metals in concurrent, simultaneous, or promiscuous circulation." But the thought had not yet been fully worked out; the true policy whereby this concurrent circulation could be secured had not yet been discovered.

Mr. Ingham, Secretary of the Treasury, recognizing that in the nature of things there can be but one standard of value, proposed to adopt definitely, by legal enactment, the single silver standard. But the business men of the country were wiser than he and demanded that gold coin should be introduced. How to get them into use became the problem.

### WHY THE COINAGE RATIO WAS CHANGED IN 1834.

Thought began to take about this form: "Our actual everyday standard of value is 371.25 grains of pure silver. Measured in that standard the gold bullion required to make the coin called





the eagle is worth more than $10; and so it is with the other gold coins. The gold required to make one of the coins is worth more as bullion than it will pass for as coin. This is why gold is not brought to the mint for coinage and use as money. This is why even the small amount of gold which is coined from time to time is soon sold by weight, the only use of the Government stamp being to certify the fineness of the metal. The trouble, then, is that we ask the owners to put more gold into the coins than they can afford, and the obvious remedy is to reduce the amount of gold required to the level of the silver standard under which we have so long operated and in terms of which all existing contracts are understood to be expressed; that is, we must cut down the requirements to the point where the gold in a $10 gold piece shall be as nearly as possible equal in value to the silver in 10 silver dollars; that is, we must change the coinage ratio to conform as nearly as possible to the commercial ratio."

By the year 1833 the commercial ratio of silver to gold had fallen to 15.93. Expecting a still further fall, Congress, in 1834, changed the coinage ratio from 15 to 15.98, which is commonly spoken of as "16 to 1," the ratio of which we have all heard so much; that is, under act of June 28, 1834, gold was to be coined at the rate of 23.2 grains of pure gold to the dollar (changed in 1837 to 23.22 grains to the dollar) instead of at the rate of 24.75 grains to the dollar, as provided for in the act of 1792.

Mr. Chairman, it is worthy of special notice that *the gold coinage was made to conform to the silver valuation*, not the silver coinage to the gold valuation. Why was this? Simply because 371.25 grains of silver had for years been the sole standard in fact, though there were nominally two standards in law. All values, *including the value of gold coins*, had for years been expressed in silver. I repeat it, sir, because it is important to note and to remember, that while from 1792 to 1834 we nominally and in law had two standards of value we practically and in fact had but one, and that one was silver, as is evidenced by the fact that when the coinage ratio was changed in 1834 the change was made in the gold coins, which were reduced in size so that their values would conform to the values of the silver coins.

### OUR SECOND EFFORT AT "BIMETALLISM."

And now in 1834 began our second effort at securing the concurrent use of both gold and silver by coining both on private account at a fixed legal ratio. It will be observed, Mr. Chairman, that again, as in 1792, every precaution that human foresight could suggest to render the experiment a success was adopted.

The change of ratio defrauded no man, for the gold coins were reduced in size to conform in value to the silver coins, in terms of which all existing contracts were expressed. So, Mr. Chairman, the experiment started with honesty of purpose. Moreover, Mr. Chairman, it was started with intelligence. The word "dollar," whether expressed in gold or in silver, had exactly the same commercial value; that is, the 232 grains of pure gold required to make a ten-dollar gold piece had exactly the same value in the metal market as the 3,712.5 grains of pure silver required to make 10 silver dollars. Neither gold nor silver was "at a premium."

Our fathers hoped, and had some right to expect, that with this careful adjustment of their relative values both gold and silver would be brought to the mint to be coined for use as money. But in that expectation they were, as they soon discovered, to be disappointed.

As I said before, by 1833 silver had fallen to the point where it required 15.93 ounces of pure silver in the metal market to equal in value 1 ounce in pure gold. The coinage ratio of 16 to 1 was selected on the theory that silver would probably fall a little farther. But the ratio had hardly been established when silver began to rise in value. By 1839 silver had so risen in value that it required only 15.62 ounces of pure silver to equal in value 1 ounce of pure gold. But at the mint it would require 16 ounces of pure silver to be equal in value to an ounce of pure gold. This being true, the owners of silver, naturally taking it where they could dispose of it most advantageously to themselves, sold their silver as bullion instead of having it coined for use as money.

In other words, Mr. Chairman, silver coin *as measured in gold coin* was soon at a premium. As a consequence, not only did the owners of silver bullion decline to bring it to the mint for coinage and use as money, but even the silver coin that had been made began to be gathered up and sold by weight. It soon became manifest that this second attempt at securing the concurrent use of gold and silver by authorizing the coinage of both on private account at a fixed ratio was doomed to failure. Silver gradually retired from circulation, as has been said, and business men became more and more troubled by the lack of small change. In many places it became necessary for business men to make and use paper or cardboard checks for change.

Mr. LACEY. Will the gentleman allow me a suggestion right there?

Mr. McCLEARY. Certainly, Mr. Chairman. I am always pleased to yield to my friend from Iowa.

Mr. LACEY. Will the gentleman from Minnesota kindly explain to the Democratic brethren why it was that at that time, with the mints open to the "free and unlimited" coinage of gold, such free coinage did not bring gold up to the par with silver?

Mr. McCLEARY. Mr. Chairman, the question of my talented friend from Iowa is evidently not really intended for me. It is evidently presented as a nut for our friends on the other side to crack, and I pass it on to those for whom it was intended. As is usual when my friend speaks, this question goes to the heart of the general controversy.

Mr. CARMACK. Will the gentleman from Minnesota allow me a question at this point?

Mr. McCLEARY. Certainly, Mr. Chairman.

Mr. CARMACK. Is it not true that at the time we were coining at the ratio of 16 to 1 under the act of 1834 France was coining at the rate of 15.5 to 1?

Mr. McCLEARY. That is true.

Mr. CARMACK. And is it not also true that the fact that France put a higher value on silver than we did was the cause of our losing our silver coins?

Mr. McCLEARY. Mr. Chairman, the inference of the gentleman from Tennessee is no doubt correct, partly at least. But I submit to the gentleman himself that the fact which he cites completely disposes of the proposed action of his party to coin silver on private account without regard to the action of any other country. He himself has just pointed out where such a course failed when tried before.

In 1849 Congress authorized the coinage of the one-dollar gold piece. This was done for two reasons. In the first place, it provided





a physical embodiment of that which had for years been recognized as the actual standard of value—the gold dollar of 23.22 grains of pure gold or 25.8 grains of standard gold. And in the second place, it was Uncle Sam's response to the demand for small change. He made a smaller coin than had theretofore been made out of the only metal which came to the mint for coinage for use as money—namely, gold.

The little gold dollar pieces were warmly welcomed, but it was soon discovered that while they were very pretty as curiosities and ornaments—ladies collected them to make bangles of—these one-dollar gold pieces were entirely too small for practical use as money. The people thus learned by experiment that gold is as entirely unfitted for use in small transactions as silver is for use in large transactions, and the cry went up to Congress for silver coin to be used as change.

A SAMPLE PETITION.

The following petition will serve as a sample of those sent in to Congress. It was signed by the governor of New Jersey and by nearly all of the members of the legislature. It reveals the straits to which the people were being driven by reason of the almost total disappearance of silver coin. It is worth while to note particularly the first two paragraphs and the closing sentence of the fourth.

This petition is printed in the Congressional Globe, Volume XXVI, page 629, second session of the Thirty-second Congress, where it appears incorporated in the speech of Mr. Skelton, of New Jersey, made February 15, 1853:

*To the Senate and House of Representatives*
*of the United States in Congress assembled:*

The memorial of the subscribers respectfully represents that the greatly increased value of silver compared with that of gold as regulated by law at the Mint of the United States has almost wholly withdrawn all the silver coins of proper weight from circulation as a currency. *They are no longer a standard of value in payment and are only used as an article of commerce.*

Your honorable bodies are fully aware that the ordinary business of the community, comprising probably ninety-nine hundredths of all individual transactions, can not be conducted without small coins or paper tokens to settle small balances, and however repugnant the use of such paper trash may be to public opinion or discreditable to the Government and nation, the indispensable necessity for it will, as your memorialists seriously apprehend, soon force it upon the whole country, unless Congress shall during the present session provide an efficient remedy.

Your memorialists believe that such a remedy may be found in the passage of a bill that passed the Senate of the United States at their last session which proposes a silver coinage about 7 per cent lighter than the present coin, comprising all the existing denominations less than $1, and making these new coins a legal tender only for payments not exceeding $5.

Your memorialists believe that this measure will remove all difficulty as soon as the proposed coins can be minted in sufficient numbers and distributed, and in the meantime it will entirely prevent the exportation or melting of silver coins, as these will become more valuable for recoinage than for any other purpose. Nor can it in the slightest degree disturb the monetary affairs of the nation *or infringe existing rights in contracts.*

Your memorialists forbear to occupy your time with further argument in favor of such a coinage. It has been fully discussed in an able report of a committee of the Senate and so long under consideration that it must be fully understood.

Your memorialists will therefore only remark, further, that, *except those engaged in buying or melting silver coin*, every individual in the United States who uses money must be interested in having relief from the increasing embarrassment arising from the want of a permanent regulation of the small silver coin.

That your honorable body will determine to act upon this subject at the present session is the earnest prayer of your memorialists.

TRENTON, N. J., *February 4, 1853.*

THE THIRD ATTEMPT AT BIMETALLISM SUCCESSFUL.

In the early fifties business had become actually embarrassed by the lack of small change. Petitions like the one given above were presented to Congress in great number urging that action be taken to furnish the channels of trade with the small change so imperatively needed. The people said, however:

"Do not trifle with us, Uncle Sam. In the early thirties we were clamoring for gold in our circulation. The act of 1834 gave us the gold, but in some way it robbed us of our silver. We are now clamoring for silver. Donot trifle with us and give us a law whereby in getting silver for use as change we shall lose our gold. What we want is the concurrent use of both gold and silver. The problem is a hard one to solve, but we believe you capable of solving it."

And Uncle Sam did solve it. The method of his solution is well worthy of our attention at this time. He said:

"My people are calling for silver. They need silver coins in their daily business. The whole policy of coinage they have placed in my hands, so the responsibility is on me. In my efforts to provide the necessary silver coin I have been saying to the men who own silver, 'Bring your silver to the mint and I will convert it into coin for you in quantities large or small, as suits your convenience, and without making any charge for my services.'

"But the men who own the silver seem deaf to the cries of my people. They do not bring their silver to be coined for use as money. On thinking it over, I do not know that I blame them. The trouble is that I have been asking them to put more silver into the coin than it will pass for as money after it has been coined. I have been asking them to put about 52 cents of silver into a half-dollar piece and then pass it out as 50 cents. Very naturally they would not do so. They would not bring their silver to be coined for use as money because it was not profitable for them to do so. I do not blame them, *but I will not depend on them any longer.*

"My people expect me to see that they are provided with a sufficient supply of silver coin with which to transact business, and I shall see to it that they are not disappointed. Heretofore I have been depending upon the owners of silver bullion to come forward voluntarily and supply the need for silver coin. Hereafter I shall myself see to it that there is sufficient silver coin provided for all the demands of business."

How was Uncle Sam to secure the silver with which to make the coins? There was only one honest way. He could not steal the silver, nor did he have any right to demand that its owners should give it to him without recompense. There was only one thing for him to do, and that was to go into the market and buy the silver at the market price and in such quantities as he deemed necessary, and out of the silver thus bought make silver coin in such quantities and of such denominations as would meet the business demands for such coin. This policy Uncle Sam then resolved upon.

That is, Mr. Chairman, in 1853 was adopted in this country the policy of the coinage of silver on Government account, which has been continued ever since, and for which the advocates of this bill still contend.

Uncle Sam was shrewd, too. He said: "Heretofore I have been requiring that silver worth, on a gold valuation, 52 cents should be used in making the 50-cent piece. That is why the men who own the silver have not brought it to be coined and used as





money. And that is why the silver coins that have been made have not gone into circulation but have been sold by weight. And if, out of the silver which I propose to buy, I should make coins in such a way that there would be 52 cents' worth of silver in a half dollar, the coins would not be allowed to circulate. There would be 4 per cent profit in collecting them and selling them by weight. The object which I have in mind would not be attained. I am not blaming men for being selfish, but in making my plans I will remember that they are selfish. I will remove temptation from them. Instead of putting 52 cents' worth of silver into a half dollar, I will put in only 49 cents' worth. And I know men well enough to know that then the coins will be allowed to circulate, for there would be 2 per cent loss in selling them by weight."

That is, Mr. Chairman, under the act of 1853 the coinage of silver was not only to be on Government account, but the ratio of coinage was to be so changed that the value of the silver in each coin, measured in gold, would be slightly less than the nominal value of the coin.

Not only was Uncle Sam shrewd, Mr. Chairman, but he was also kind and just. He said, in planning this act of February 21, 1853: "My people live in houses. Houses may burn. If a house occupied by one of my people and having in it some of this silver coin should burn and the coin be melted into bullion, the owner would suffer some loss by reason of the policy which I am now planning. In order that no one may be called upon to take more than a small amount of risk on account of this policy; in order that no man, however rich or powerful, may be able to compel any other man, however poor or weak, to take more than a fair share of the risk involved in this policy, I shall make it impossible for anyone to force upon another in the payment of an obligation more than a reasonable amount of this kind of coin. Now, what is that reasonable amount?"

After thinking it over Uncle Sam concluded that, inasmuch as the silver which he was providing for was to be used for change or pocket money and that the maximum amount of silver which a person is willing to carry in his pocket is about $5, $5 would be the "reasonable amount" which he had been looking for.

HOW THE ACT OF 1853 ACCOMPLISHED THE PURPOSE INTENDED.

Putting the foregoing propositions, Mr. Chairman, into technical language, the act of 1853 provided:

1. That the silver coins proposed to be made under it—namely, half dollars, quarter dollars, dimes, and half dimes—should be coined on Government account only.

2. That the silver in each coin should be worth slightly less than the nominal value of the coin, the silver in the half dollar being reduced from 206.25 grains of standard silver to 192 grains of standard silver, and the smaller coins in proportion.

3. That the silver coins thus made should be limited in the legal-tender quality to $5.

4. That the coins thus made could be obtained by anyone at any time "in exchange for gold coins at par in sums of not less than $100."

Inasmuch as these coins could always be obtained in exchange for gold, it is clear that provision had been made for supplying the channels of trade with all the silver coin needed therein; and, inasmuch as these silver coins could be had only for gold coins, their parity with gold was secured. That is, Mr. Chairman, under the act of 1853 an arrangement was perfected whereby the volume

of silver coin was regulated so as to meet automatically the exact demands of trade, while at the same time the purchasing power of these coins was maintained at an exact parity with gold.

In this way, sir, was solved the problem of having gold and silver coins in actual concurrent circulation, each serving the purpose which it can best serve—the gold for the large transactions and the silver for the small transactions. And, Mr. Chairman, the policy adopted in 1853 is the only one ever yet devised by the wit of man which safely and surely accomplishes that end. That policy, Mr. Chairman, is to leave gold to be coined on private account, but to have silver coined on Government account. That has been our policy ever since 1853, and in my judgment will continue to be our policy through all the years of the future. [Applause on the Republican side.]

WHY THE COINAGE ACT OF 1853 MADE NO MENTION OF THE SILVER DOLLAR.

The coinage act of February 21, 1853, the prime object of which was to make sure that the American people should have an ample supply of silver coin for their business needs, made no mention whatever of the silver dollar piece. Why was this, Mr. Chairman? The answer is significant. The omission was caused by the fact that *the American silver dollar piece was an unknown coin to the people of that day.* Nobody then doing business had ever used one as money. And as this act of 1853 secured to the people the actual use of half dollars and the smaller pieces, any payment (say $5) desired to be made in silver could be made with the coins provided. This was what the people wanted, and *all* that they wanted, of silver coins.

Why, Mr. Chairman, in more than half a century there had not been coined in the United States one solitary silver dollar piece for use as money. I will go further, Mr. Chairman, and make a statement which our friends on the other side may challenge or admit as they see fit. The statement is this, and it strikes right at the root of their whole contention in this matter: *During all of this century, sir, there has not been coined in the United States mints one solitary silver dollar piece on private account for use as money in this country.*

Mr. SULZER. Well, we deny that.

Mr. McCLEARY. I do not wonder, Mr. Chairman, that the gentleman enters a denial, for it is apparent to all that if my assertion be true, all the clamor that has been raised about the act of 1873 is simply "as sounding brass or a tinkling cymbal." Inasmuch as the correctness or the incorrectness of this assertion is so vital, I propose now to establish beyond peradventure the truthfulness of my statement.

On May 1, 1806, an order was issued by the then President of the United States, Thomas Jefferson, who is reputed to have been something of a Democrat himself, directing the discontinuance of the coinage of silver dollars at the United States mint. During the remainder of his Administration not a single silver dollar was coined. His successor was James Madison, another pretty good type of old-fashioned Democrat. He continued the order in force, and during the eight years of his Administration not a single silver dollar piece was coined at our mint.

Mr. WILLIAMS of Mississippi. Will the gentleman allow an interruption just there?

Mr. McCLEARY. Let me finish my statement first. My friend from Mississippi is so uniformly courteous, Mr. Chairman, that





I shall be perfectly willing to yield to him as soon as I conclude the statement that I have started to make.

The next President was James Monroe, another pretty good type of old-fashioned Democrat. He continued the same policy, and during the eight years of his Administration not a single silver dollar was coined at our Mint.

Mr. SULZER. Madison succeeded Jefferson, not Monroe.

Mr. McCLEARY. The gentleman from New York is behind the times, as usual. I had already passed Madison. [Laughter.]

The next President was John Quincy Adams. During the four years of his Administration we did not coin a solitary silver dollar. Then came Andrew Jackson, another pretty good type of old-fashioned Democrat. During seven of the eight years that he was in the Presidential chair not a solitary silver dollar was coined in the United States Mint.

In other words, Mr. Chairman, during the thirty years from 1805 to 1835, as will be seen by the Report of the Director of the Mint for 1898, page 301, not one solitary silver dollar piece was coined in the United States.

THE REASON FOR JEFFERSON'S ORDER.

As I said, Mr. Chairman, President Jefferson in 1806 ordered the Director of the Mint to discontinue the coinage of the silver dollar piece. Why did he issue that order? Let the order speak for itself, sir. Here it is:

DEPARTMENT OF STATE, *May 1, 1806.*

SIR: In consequence of a representation from the director of the Bank of the United States that considerable purchases have been made of dollars coined at the Mint for the purpose of exporting them, and as it is probable further purchases and exportations will be made, the President directs that all the silver to be coined at the Mint shall be of small denominations, so that the value of the largest pieces shall not exceed half a dollar.

I am, etc.,

JAMES MADISON

ROBERT PATTERSON, Esq.,
*Director of the Mint.*

The text of the order itself, Mr. Chairman, shows that it was issued because the silver dollar pieces made at our mint were being exported and not used for monetary purposes in this country. In other words, the United States mint was being operated, so far as the silver dollars, at least, were concerned, for private profit and not for the usual and proper uses of the people. It will be remembered that the size of the American silver dollar piece was that of the *average* Spanish milled dollar current in 1791. This implies that a large number of the Spanish dollars were heavier than the American silver dollar. These were taken to the mint by money brokers and converted into American silver dollars at a profit.

These American silver dollars were then carried by traders to the West Indies and elsewhere, where they were accepted as the equivalent of a Spanish dollar. There they were exchanged for the heavier Spanish dollars, which were brought back to the United States, melted, and taken to the United States mint to be converted into American silver dollars, at a profit, and the process was repeated again and again. As Professor Laughlin says:

> This process kept the mint busy without the effect of filling the circulation with our own coins. The mint, therefore, was a useless expense to the nation, but a source of profit to the money brokers.

This process would hardly be advertised by those who were profiting by it. It undoubtedly was in operation for quite a number of years before the authorities became aware of it. It is per-

fectly safe to say that it covered the five years of the century preceding the issuance of the order.

THE SILVER DOLLARS COINED BETWEEN 1834 AND 1873 WERE NOT COINED FOR USE AS MONEY.

In 1836, Mr. Chairman, just 1,000 silver dollars were coined. In 1837 and 1838 not one was coined. In 1839 just 300 were coined. In all of the years between 1834 and 1873, inclusive, there were coined in the United States mints about six and a half million silver dollars. *But, Mr. Chairman, not one of the pieces so coined was coined for the purpose of use as money.* They were coined for sale, not for circulation. This will be seen by the fact that much of this coinage was done during the civil war and the years following it, when there was no coin of any kind in circulation.

What is meant by saying that the coinage was done for the purposes of sale and not for the purposes of circulation? After the change in ratio in 1834 the pure silver (371.25 grains) required to make a dollar piece was worth more than $1 in the then recognized standard, gold. During all the period from 1834 to 1873 silver dollars were "at a premium" ranging from 2 to 4 per cent. measured in gold. The men who owned the silver, as was said earlier, would not put a dollar and three cents' worth of silver into the form of a dollar and then pass it out as a hundred cents. Why, then, did they have their silver coined at all? Simply, Mr. Chairman, to secure the Government's certificate of fineness as evidenced by the fact of the coinage, it being generally known that American silver dollars were uniformly nine-tenths pure silver. The coining saved the owner of the silver the expense of securing in another way, through private sources, the certificate of fineness required in order to sell his silver.

Let me illustrate. When a farmer brings a load of wheat to the elevator the first thing to determine is the grade or quality of the wheat. The buyer at the elevator gets up on the load, opens a sack, takes out some of the wheat, looks it over carefully, pinches it between his fingers, tries it between his teeth, and perhaps tests it by weighing a small portion of it. What is all this trouble for? To determine the quality of the wheat. This being determined, he ties up the sack and tells the farmer to drive up on the scales, where the load is weighed. The quality and the quantity of the wheat being determined and the market price being known, the value of the load of wheat is ascertained by a simple arithmetical process.

Similarly, a man who has silver to sell must first of all establish to the satisfaction of the buyer the fineness or quality of the silver. United States silver dollars after 1837 were made nine-tenths pure. So that if a man who had silver to sell could have it converted into the form of silver dollars, he would thereby establish the fineness or quality of his silver to the entire satisfaction of any prospective buyer. Not only that, Mr. Chairman, but if the coins were sold before being used as money, not only would the quality of the silver be determined by the coinage, but its weight also. Hence it was important that those having the silver to sell should, after having it converted into the form of silver dollars, sell them at once, without allowing them to be abraded in any way by use.

A SUMMARY.

To summarize, Mr. Chairman, the silver dollars coined in the United States mint during the first five or six years of this century were coined for exportation to the West Indies and elsewhere and





not for use as money in this country. During the thirty years up to and including 1835 no silver dollars were coined in the United States mint for any purpose whatsoever. The silver dollars coined from 1834 to 1873 were coined not to be used as money, but to facilitate the sale of the silver. Hence the truth of my original proposition, Mr. Chairman, that there were no silver dollars coined in this century before 1873 for use as money. Probably neither your father nor your grandfather ever saw one except as a curiosity.

Mr. SULZER. And if your policy is continued, my grandchildren will never see one. [Laughter and applause on the Democratic side.]

Mr. McCLEARY. Well, perhaps. The gentleman knows best. A good deal depends upon the actions of the proposed grandfather. [Laughter and applause on the Republican side.]

Mr. Chairman, if the gentleman's grandchildren fail, under the policy which we stand for, to see and use American silver dollars, it will not be because there are not American silver dollars in abundance to be seen and used. In 1878 we resumed the coinage of the silver dollar. Since then over 400,000,000 of these dollars have been coined for use as money in this country, and they are in monetary use to-day, either directly as coins or indirectly through silver certificates. And this bill continues them in use, giving to them and to the subsidiary silver the whole field of pocket-money service. But it is to be observed, Mr. Chairman, that *the silver to which I am now referring has been coined on Government account* and not on private account. And my general statement still holds good that during all of this century there has not been coined on private account one solitary silver dollar for use as money in this country.

Not even the coinage of the trade dollars, under the act of 1873, is an exception to my proposition. Though coined on private account, they were not intended for use as money in this country, being coined for use in our trade with China and other countries of the Orient.

Mr. SIMS. In that connection, is it not a fact that the reason why silver was not coined on private account to be used as money was because the silver bullion that it took to make a silver coin was worth, measured in gold, more than the silver coin when made?

Mr. McCLEARY. "I thank thee, Roderick, for the word." It nails two facts beyond dispute by high Democratic authority. First, the gentleman admits by his question, and the gentleman is too honorable not to admit the truth, that there were no silver dollars coined on private account in this country for use as money. Second, the question implies that, "measured in gold," the silver coins that were made were "at a premium," and hence would not circulate. This, Mr. Chairman, means that *gold had become the standard.* I answer my friend, sir, that he is exactly correct both in his fact and in his reason for it.

Mr. OTEY. Will the gentleman allow me to ask him a question?

Mr. McCLEARY. Certainly, I will yield to my friend from Virginia.

Mr. OTEY. You say that under the order of Thomas Jefferson there was not a silver dollar coined from 1805 up to what time?

Mr. McCLEARY. The order was continued under succeeding Administrations, and no silver dollars were coined up to and including 1835.

Mr. OTEY. Was it not a fact that every silver piece that was

coined was a full legal tender, and that up to 1853 there was as great a coinage of silver as of gold?

Mr. WILLIAMS of Mississippi. In the shape of halves and quarters?

Mr. OTEY. Yes. Did not every fifty-cent piece and every quarter and every dime and half dime have full legal-tender power?

Mr. McCLEARY. Mr. Chairman, the gentleman from Virginia has asked two questions. They are questions of fact, not questions of judgment. As questions of historic fact, the answers to which can easily be verified, I will consider them in their order.

First. Was not the total coinage of silver equal in volume to the total coinage of gold up to 1853—or 1873?—I am not quite sure which the gentleman said. To that question the answer is emphatically, No. The gold coinage of the two years 1851 and 1852 alone far exceeded in volume the total silver coinage up to 1853, and even up to and including 1873.

But the gentleman must not attempt to divert attention from the fact that my assertion, made earlier in the course of these remarks, had reference to the silver dollar piece. Of these there were none coined for use as money.

Mr. CARMACK. How many gold dollars were coined?

Mr. McCLEARY. No provision was made for the coinage of the one-dollar gold piece before 1849, and the coinage of the one-dollar gold piece was discontinued by law in 1890.

Mr. CARMACK. Put that beside the statement that no silver dollars were coined.

Mr. McCLEARY. Certainly, sir; with pleasure.

But, Mr. Chairman, though no one-dollar gold pieces were coined before 1849 and none have been coined since 1890, the value of the gold in a gold dollar piece was our standard of value long before 1849, as it has been up to and since 1890; and we have never complained that, because of this noncoinage of gold dollars, gold had been "demonetized."

THE STANDARD UNIT NEED NOT ITSELF BE COINED.

The question of the gentleman from Tennessee [Mr. CARMACK] suggests a thought which is pertinent in this connection. As was well stated by my distinguished friend from Indiana [Mr. OVERSTREET] in the opening speech on this bill, it is not necessary that the unit of value should be embodied in the form of a coin.

But, on the other hand, Mr. Chairman, it is essential that, if not so expressed, the unit of value shall be embodied in one or more coins which are either divisors or multiples of that unit.

Thus, while from 1805 to 1835 the actual standard of value in this country was that of 371.25 grains of pure silver, the amount prescribed by law for the silver dollar, the silver dollar piece itself was not coined. But, Mr. Chairman, it must be remembered that the unit of value was embodied in the form of half dollars, quarters, dimes, and half dimes, so that two half dollars or four quarter dollars could be used in making a payment, say $5, as the exact equivalent of the one-dollar piece.

And while the standard of value since 1834 has been that of 25.8 grains of standard gold, this quantity of gold was not put into the form of a dollar coin up to 1849, as has been stated, and the coinage of the one-dollar gold piece was discontinued in 1890. But through all the period since 1834 we have had multiples of the gold dollar of 25.8 grains of standard gold in the form of eagles, half eagles, and quarter eagles. So that if at any time a person





desired to make a payment in gold, say of $1,000, he could do so with the coins named.

Mr. WILLIAMS of Mississippi. I want to ask the gentleman a question.

Mr. McCLEARY. Mr. Chairman, I take pleasure in yielding now to the gentleman from Mississippi, as I promised to do some time ago. I yield for a question.

Mr. WILLIAMS of Mississippi. I will ask the gentleman, in the face of the country, if he does not think that when he stands here with a full knowledge of the true history of the period of the time of which he speaks, when half dollars and quarters were being coined as full legal tender and full weight at the ratio—is he not quibbling with the country when he comes to the mere question of the dollar pieces coined? Is it not true that you can quibble about gold just the same and say that no dollar in gold was coined because there were only two-and-a-half-dollar, five-dollar, and ten-dollar pieces? During the period of which you speak, is it not true that, although silver was not coined in the shape of silver dollar pieces, it was coined as ultimate, self-redeeming, full legal-tender, full-weight, standard money, in the form of half dollars and quarters?

HOW ABOUT MINOR SILVER COINS?

Mr. McCLEARY. Mr. Chairman, I did not yield to the gentleman to permit him to inject a speech into my remarks. I yielded for a question. I am a little surprised, too, Mr. Chairman, that my friend from Mississippi, who is usually so courteous and straightforward, should have lowered his usual tone in the asking of his question. Men whose own motives are right, Mr. Chairman, rarely impute to others motives not proper. My friend is an attorney. I understand that attorneys sometimes, when they have a bad case, find it convenient to attack opposing counsel. I must assume, Mr. Chairman, that the lowering of my friend's tone from his usual standard is due to the fact that he recognizes that his case is a weak one.

It will be noted, however, that the gentleman admits the truth of my statement that there have not been any silver dollars coined in our mint on private account for use as money.

Now to the gentleman's question. It is practically the same question as that asked by the gentleman from Virginia [Mr. OTEY], which I was about to answer when interrupted. Both of these gentlemen, who are rightly eminent in their party, set great store on the fact that silver halves, quarters, etc., were coined and were a full legal tender. Let us see how much real comfort for them this fact contains. They will find that they have been leaning pretty heavily on a broken reed.

It is true, Mr. Chairman, that up to 1853 the silver half dollars, quarters, dimes, and half dimes were coined on exactly the same ratio as was provided for the one dollar silver piece. That is, the half dollar contained exactly half the amount of silver contained in the dollar piece, and the quarter, dime, and half dime in like proportion. It is also true, Mr. Chairman, that all of these coins were a full legal tender, if of full weight.

*But,* Mr. Chairman, *up to 1834 few of these coins, and after 1834 practically none of them, were coined for use as money.*

Anyone who will examine the report of the Director of the Mint, where it shows year by year from the foundation of our Government the number of gold and silver coins of each kind and

denomination issued annually, will notice that from 1805 to 1835, when our mint was closed to the coinage of one-dollar silver pieces, about 90 per cent of the coinage of silver was in the form of half dollars. In some years no other silver coins were made. Why was this? There were two reasons for it.

In the first place, the men who had been using the United States mint for their own private profit, whose plans Jefferson's order had been intended to thwart, *got around the order by having their silver coined into half-dollar pieces.* The only change that the order actually made in the operations of the money dealers was to cause them a little more trouble in disposing of their half-dollar pieces in the West Indies than they had previously had in disposing of their one-dollar pieces. During these years, then, much (no one knows exactly how much) of the coinage of silver into half dollars was for the purpose of exporting the coins at a profit.

In the second place, the real monetary standard of the country from 1792 to 1834, as I said before, was the silver dollar (the gold coins, measured in it, being at a premium), and it was regarded as desirable and necessary to have a physical embodiment of that standard. The coinage of the silver dollar having been prohibited, the people used two half dollars—which contained the same amount of silver and were full legal tender—as the exact equivalent of and the most convenient substitute for the silver dollar.

After 1834 practically all the silver coins—*including the halves and quarters* about which our friends have been inquiring so solicitously—being (like the dollar piece) at a premium measured in gold, were coined chiefly for the purpose of sale and not for the purpose of circulation. And even those that were put into circulation were gradually gathered up and sold by weight at a profit. *That was exactly what drove Uncle Sam in 1853 to cease depending on having silver coined on private account* and to undertake himself the task of supplying the needs of the country for such coins.

Thus we see, Mr. Chairman, how exceedingly little there was for my friend from Mississippi to get excited over. Can it be, sir, that the gentleman did not know the facts which I have just recited? If he knew them, what ground was there for his asking his question as he did? I would be justified, Mr. Chairman, in retorting in kind, but I have no temptation to do so. I do not claim to be any better man than my friend from Mississippi, but, having a better case, I can afford to keep my temper.

WE HAVE HAD THE GOLD STANDARD SINCE 1834.

A good many people, Mr. Chairman, seem to be under the impression that the gold standard is a new thing in this country. The simple economic and historic fact is that the gold dollar of 25.8 grains of standard gold has been the unit for measuring value in this country for more than two generations; that is, since 1834. I was very much surprised to hear my talented friend from Missouri [Mr. COCHRAN] attempt to deny this. Of course I appreciate, Mr. Chairman, the importance of such a denial to the opponents of this bill. But I hardly expected a gentleman so well informed as my friend undoubtedly is to be the vehicle of that denial.

What is meant by a standard? It is simply that with which other things are habitually compared and by which they are measured.

In 1792 our fathers provided by law that the standard in this





country should be a dollar. This dollar they undertook to embody in two forms, namely, 371.25 grains of pure silver and 24.75 grains of pure gold. As we have seen, people soon ceased to think of the 24.75 grains of gold as the standard, and used as the actual standard of value the 371.25 grains of pure silver. It is uniformly admitted that from 1792 to 1834 gold coins were "at a premium."

"At a premium" measured in what, Mr. Chairman? A thing can not be longer or shorter, heavier or lighter, more or less valuable than itself. When spoken of as being "at a premium," the gold coins could not have been compared with themselves, nor with the gold unit of 24.75 grains of pure gold. They must have been compared with something else. That something else, whatever it might be, was the standard. The gold coins were at a premium *as compared with the silver unit* of 371.25 grains of pure silver. That is, Mr. Chairman, the silver unit of 371.25 grains of pure silver was the actual standard of value in this country from 1792 to 1834. By it the value of everything, *including gold coin*, was measured.

On the other hand, Mr. Chairman, after 1834, as has been shown both by my historical résumé and by the question of the gentleman from Tennessee [Mr. SIMS], the silver coins were at a premium as measured in gold. That was why, Mr. Chairman, silver retired from circulation. That was why the act of 1853 was necessary.

WHAT WAS SAID IN 1853.

In discussing the coinage act of February 21, 1853, above referred to, when it was pending before the House, Representative Skelton, of New Jersey, said, among other things:

> Gold is the only standard of value by which all property is now measured; it is virtually the only currency of the country.—*Congressional Globe*, Volume XXVI, second session Thirty-second Congress, page 629.

Representative Dunham, of Indiana, who had the measure in charge in the House, speaking on the same point, said:

> We intend to do what the best writers on political economy have approved, what experience, where the experiment has been tried, has demonstrated to be best, and what the committee believe to be necessary and proper—to make but one standard of currency and to make all others subservient to it. *We mean to make the gold the standard coin.*—*Congressional Globe*, Volume XXVII, page 190.

In another part of the same speech Mr. Dunham said:

> Another objection urged against this proposed change is that it gives us a standard of gold only. * * * What advantage is to be obtained by a standard of the two metals, which is not as well, if not much better, attained by a single standard. I am unable to perceive; while there are very great disadvantages resulting from it, as the experience of every nation which has attempted to maintain it has proved. * * * Indeed, it is utterly impossible that you should long at a time maintain a double standard. * * * Gentlemen talk about a double standard of gold and silver as a thing that exists and that we propose to change. We have had but a single standard for the last three or four years. *That has been and now is gold. We propose to let it remain so and to adapt silver to it; to regulate it by it.*—*Congressional Globe*, Volume XXVII, page 192.

And, as showing that the intention expressed by Mr. Dunham was actually enacted, we note that section 4 of the act itself contains this provision:

> SEC. 4. *And be it further enacted.* That such coins shall be paid out at the mint, in exchange *for gold coins* at par, in sums not less than $100.

From the above, Mr. Chairman, it will readily be seen what was regarded as the standard of value in 1853. Mr. Dunham's statement that we had had the gold standard "for the last three or four years" had reference to the period during which—from 1849

on—we had the actual physical embodiment of the standard in the form of the one-dollar gold piece. But, as I have shown, this physical embodiment was not necessary to fix the fact of the gold dollar being the standard. It had then, in fact, been the standard for fifteen years. The coinage of the gold dollar was the recognition of the preexisting fact.

GOLD THE ACTUAL STANDARD EVEN DURING THE CIVIL WAR.

And, Mr. Chairman, even during the civil war and the years following it, when we had only paper currency, gold was the actual measure of value, the actual standard. The paper in circulation did not even pretend to be money. On its very face it was only a promise to pay money. A measure of length must itself have length, a measure of weight must itself have weight, and a measure of value must itself have value. That paper currency, having in itself no value, could not be a standard or measure of value. Whenever people wanted to know what this paper currency was worth, what did they ask? They never asked, Mr. Chairman, how much it was worth *in silver*. No one ever dreamed of such a question. The question always was, How much is the currency worth *in gold?*

"COIN" BONDS HAVE ALWAYS BEEN GOLD BONDS.

The act of 1853 completely justified the expectations of its advocates by furnishing to the country all the coin, both of gold and of silver, that the business of the country needed. This became so evident that on the fourth anniversary of its passage—on February 21, 1857—an act was passed repealing all acts giving foreign coins legal-tender quality, and providing that foreign coins received at the Treasury should be recoined on the plan provided in the act of 1853.

Thus, at the breaking out of the civil war we had a purely American coinage, gold being the standard and being coined on private account, the only silver coins in use being the subsidiary coins made on Government account, which by the act of 1853, as stated by Mr. Dunham, were adapted in value to and regulated by gold.

When, therefore, on February 25, 1862, an act was passed for the issue of $500,000,000 of 5-20 bonds, the faith of the Government being pledged to pay them, principal and interest, in coin, that word "coin" meant and could mean only gold coin. We had only, as has been shown, gold coin and subsidiary silver. The silver dollar piece was not even a memory. It would be ridiculous to suppose that Congress meant that a lot of subsidiary silver was to be gathered up with which to pay the bonds. It would be worse than ridiculous, for in the act of 1853 providing for these silver coins it was expressly provided that they should be a legal tender only to the extent of $5.

This act of February 25, 1862, also authorized the first issue of the greenback. It is worth while, therefore, to note its exact language on the matter of paying the bonds. It is as follows:

SEC. 5. That all duties on imported goods shall be paid in coin, and the coin so paid shall be set apart as a special fund and shall be applied as follows:

First. To the payment in coin of the interest on the bonds and notes of the United States.

Second. To the purchase or payment of 1 per cent of the entire debt of the United States to be made within each fiscal year after the 1st day of July, 1862.

The understanding of the officers of the Government charged with the execution of the law is seen in the fact that they collected





all duties on imports in *gold* coin, except sums less than $5, which could be paid in the subsidiary silver.

Speaking on the bill which authorized these bonds, Thaddeus Stevens, of Pennsylvania, said:

A dollar in a miser's safe, unproductive, is a sore disturbance. Where could they invest it? In United States loans at 6 per cent, redeemable in gold in twenty years—the best and most valuable investment that could be desired. * * * I pity no one who has his money invested in United States bonds, payable in gold in twenty years, with interest semiannually.—*Congressional Globe*, Volume XLVI, page 688.

It is plain, therefore, that, though "not so nominated in the bond," these bonds were to be paid, principal and interest, in gold coin.

WHAT LINCOLN UNDERSTOOD TO BE THE STANDARD.

In the fall of 1862 the twenty-year bonds issued in 1842 matured. Although they contained no proviso as to the kind of money they were to be paid in, and although at that time we had in our ordinary business "suspended specie payments," the duty of the country was plain, and these bonds were paid in gold. This shows that Abraham Lincoln and his advisers recognized not only that gold was then the standard, but also that it had been the standard back even to 1842.

WHAT PRESIDENT GRANT SAID IN 1869.

In Volume VII of the admirable compilation of the Messages and Papers of the Presidents made by our colleague from Tennessee [Mr. RICHARDSON], the distinguished leader on the other side of the House, I find, beginning on page 27, the first annual message of President Grant. It is dated December 6, 1869. On page 29 I find two paragraphs which are interesting in this connection as showing what President Grant, in common with everybody else, then understood by "specie" or "coin." He said:

Among the evils growing out of the rebellion and not yet referred to is that of an irredeemable currency. It is an evil which I hope will receive your most earnest attention. It is a duty and one of the highest duties of government to secure to the citizen a medium of exchange of fixed, unvarying value. This implies a return to a specie basis, and no substitute for it can be devised. It should be commenced now and reached at the earliest practicable moment consistent with a fair regard to the interests of the debtor class. Immediate resumption, if practicable, would not be desirable. It would compel the debtor class to pay beyond their contracts the premium *on gold* at the date of their purchase, and would bring bankruptcy and ruin to thousands. Fluctuation, however, in the paper value of *the measure of all values (gold)* is detrimental to the interests of trade. It makes the man of business an involuntary gambler, for in all sales where future payment is to be made both parties speculate as to what will be the value of the currency to be paid and received. I earnestly recommend to you, then, such legislation as will insure a gradual return to specie payments and put an immediate stop to fluctuations in the value of currency.

The methods to secure the former of these results are as numerous as are the speculators on political economy. To secure the latter I see but one way, and that is to authorize the Treasury to redeem its own paper, at a fixed price, whenever presented, and to withhold from circulation all currency so redeemed until sold again *for gold*.

WHAT WAS UNDERSTOOD IN 1869 TO 1873.

When in latter part of 1869 the first draft of what afterwards became the much-discussed act of 1873 was sent by Comptroller of the Currency Knox to the Director of the Mint, Dr. Linderman, it contained provision for the coinage of a silver dollar of 384 grains, which was exactly the weight of two of the half dollars, and like them it was to be coined on Government account and to have a legal-tender power of $5.

Commenting on this feature of the proposed measure, Dr. Linderman, said:

Section 11 reduces the weight of the silver dollar from 412½ to 384 grains. I can see no good reason for the proposed reduction in the weight of this coin. It would be better, in my opinion, to discontinue its issue altogether. *The gold dollar is really the legal unit and measure of value.* Having a higher value as bullion than its nominal value, the silver dollar long ago ceased to be a coin of circulation, and, being of no practical use whatever, its issue should be discontinued.

At that same time Mr. J. Ross Snowden, superintendent of the mint at Philadelphia, in discussing the same point, said:

It is quite true that the silver dollar, being more valuable than two half dollars or four quarter dollars, will not be used as a circulating medium, but only for cabinets, and perhaps to supply some occasional or local demand; yet I think there is no necessity for so considerable a piece as the dollar to be struck from the metal which is only worth 94 cents.

On January 9, 1872, in discussing the mintage act then pending, and of which he had charge, Representative Hooper said on this floor:

The silver dollar of 412½ grains, by reason of its bullion or intrinsic value being greater than its nominal value, long since ceased to be a coin of circulation, and is melted by manufacturers of silverware. It does not circulate now in commercial transactions with any country, and the convenience of these manufacturers in this respect can better be met by supplying small stamped bars of the same standard, avoiding the useless expense of coining the dollar for that purpose.

And on the same day, in discussing the same bill, Representative Kelley, of Pennsylvania, said:

Every coin that is not gold is subsidiary. I repeat it, sir. Every coin that is not gold is subsidiary.

We may note, further, that the "reserve" which was accumulated for the resumption of "specie" payments in 1879 was a gold reserve, and that has been its character ever since.

It would seem unnecessary, Mr. Chairman, to produce further evidence, though it could easily be greatly multiplied, to show that through all the years since 1834 "coin" and "specie" have both meant *gold*.

The money received for the outstanding obligations of the Government was gold coin of the present standard weight and fineness, or its equivalent, and in simple honesty we should make payment in the same kind of money. This is the expressed purpose of the pending measure.

WHY THE GOLD STANDARD IS REAFFIRMED.

Section 1 of the bill provides that "the standard unit of value shall, as now, be the dollar, and shall consist of 25.8 grains of gold nine-tenths fine, or 23.22 grains of pure gold, being the one-tenth part of the eagle." Section 2 provides that all obligations of the Government for the payment of money, now existing or hereafter to be entered into, shall be payable in gold coin of the United States as defined in section 1.

In view of the fact that ever since 1834, as we have seen, our actual standard of value has been 25.8 grains of standard gold "nine-tenths fine," the question may be asked why the declarations in sections 1 and 2 are made. Our answer is that the declarations are made with the view of putting beyond cavil or question the integrity of the nation's purpose.

But, since the nation has always dealt honorably with its creditors, why should any declaration of honorable purpose now be necessary? The declaration is deemed to be necessary by reason of the fact that a large number of our citizens, including members of both Houses of Congress, seem to believe that it would be honorable to resume the coinage of silver dollars on private account and with the dollars thus made pay the outstanding obligations of the Government.





About four years ago a resolution to that effect, known as the Teller resolution, received a large number of votes in both Houses; and undoubtedly most of those votes were cast by men who sincerely believed that in so voting they were doing right. Many of those men are both able and honorable. They feel that it should be contended for in the future. It is worth while, therefore, for us to examine candidly the argument by which they justify their action to themselves and to the world.

THE ARGUMENT FOR THE TELLER RESOLUTION.

I shall endeavor to state fully and fairly, though briefly, the argument of those who believe that the action proposed in the Teller resolution would have been honorable then and would be just and honorable now. They say that—

1. Practically all of the outstanding interest-bearing obligations of the Government have been issued under the authority of the act of Congress approved July 14, 1870, known as the refunding act.
2. The language of that act is that the obligations therein authorized are "redeemable in coin of the present standard value."
3. At the time of the passage of the refunding act the one-dollar silver piece could still lawfully be coined on private account.
4. Therefore, they say, it would be in accordance with the law under which these obligations have been issued, and therefore right and honorable, to resume the coinage of silver dollars on private account and with the dollars thus coined pay these obligations.
5. The correctness of this conclusion, they say, is shown by the fact that when, in February, 1895, President Cleveland recommended the issuance of bonds payable specifically in gold coin, whereby there would be a saving in interest, the proposition was defeated in the House by a vote of 167 to 120.

It is true, Mr. Chairman, that practically all of the interest-bearing obligations of the Government now outstanding, even those issued in 1895, were issued under authority granted by the refunding act of 1870. It is true that the obligations authorized by that act were by its terms "redeemable in coin of the present standard value." It is true that at the time of the passage of the refunding act the mints of the United States could still be used for the coinage of silver dollars on private account. It is also true that in 1895 this House voted down a proposition to authorize the issuance of United States bonds specifically payable in gold coin.

The truth of the allegations in paragraphs 1, 2, 3, and 5 above being admitted, the argument of our friends on the other side would seem on casual examination to be unanswerable and their conclusion, as expressed in paragraph 4, to be correct. It is right here, sir, in the apparent conclusiveness of their argument and the seeming righteousness of their conclusion, that the necessity for and the justification of our proposed action lies. If their argument were less likely to mislead, the necessity for our action would be less great. It is little wonder, sir, that an argument seemingly so well grounded in fact should have misled men who are both able and honest. Herein is the necessity for stating the real truth

and putting the duty and purpose of the country beyond all possibility of question; so that at any time in the future, unless a change should be made in the law itself, no matter what party may control the executive department, the good name of the Government may be preserved.

THE FALLACY OF THE TELLER ARGUMENT.

The fundamental trouble with our friends and their argument is that *they do not distinguish between form and fact*. As a matter of legal form, silver dollars *might*, in 1870, have been coined on private account for use as money; but, as a matter of actual fact, they had not been so coined for nearly three-quarters of a century. As we have seen, the silver dollar had long since ceased to be even a memory. When men spoke of "coin," they did not at that time think of the silver dollar.

In order to find authority for the coinage of the silver dollar on private account, our friends must hark back to the original coinage act under the Constitution, approved April 2, 1792. Here is an extract from an act almost as old, one approved May 8, 1792:

> Every able-bodied citizen of the respective States, resident therein, who is of the age of 18 years and under the age of 45 years, shall be enrolled in the militia.
>
> Every citizen shall, after notice of his enrollment, be constantly provided with a good musket or firelock, of a bore sufficient for balls of the eighteenth part of a pound, a sufficient bayonet and belt, two spare flints and a knapsack, a pouch with a box therein to contain not less than 24 cartridges, suited to the bore of his musket or firelock, each cartridge to contain a proper quantity of powder and ball.

It would be interesting, Mr. Chairman and gentlemen of the House of Representatives, to know how many of us have, at any time in our lives, complied with the plain provision of law requiring us to be "constantly provided with a good musket or firelock, * * * two flints," etc. If arraigned for disobedience to the law, probably nine hundred and ninety-nine out of every thousand of our citizens, no matter how well informed they may be as to things in general, would unhesitatingly and somewhat resentfully say, "Why that law was repealed long, long ago, and I am justified in not heeding it. As a matter of fact, I never heard of it before." And yet, Mr. Chairman, *it has never been repealed* and is to-day one of the laws of the United States, as any one can see by consulting the Revised Statutes of the United States, sections 1625 and part of 1628 of which I have just read you.

Now, Mr. Chairman, what would anyone think of the justice of our Government if it should undertake to enforce that law now and punish anyone for disobedience to it? Though every one of us has failed to comply with the provision of law referred to, every one of us is morally and legally absolved from wrongdoing by reason of the fact that long before we were born that part of the law had fallen into "innocuous desuetude." When enacted it met, as understood by Congress, a public need. It then possessed real vitality. But in process of time and the progress of events we outgrew it; and, although it was never formally repealed, it passed from the memory of men and ceased to have vitality or legal force.

The only provision of law ever enacted in this country authorizing the coinage of the silver dollar on private account was that contained in the mintage act of April 2, 1792. At the time of its enactment that provision met what Congress understood to be a public need. But, like the provision of the militia act above re-





ferred to, in the process of time and the progress of events, as detailed fully earlier in my remarks, it fell completely into disuse.

In 1870 the act of 1792 authorizing the coinage of the silver dollar on private account for use as money had no more vitality than had that other act of 1792 which required every citizen of a certain age to be constantly provided with a firelock and two flints. When the refunding act of 1870 was passed there had not been for more than two generations, as we have seen, any silver dollars coined on private account for use as money. Men then old had never used nor seen used an American silver dollar. Although the silver-dollar provision of the act of April 2, 1792, had not been formally repealed, it had long since ceased to serve its purpose, and had fallen out of the memory of practically all men, except the few who, in the language of the petition above given, were "engaged in buying or melting silver coin."

It is right and proper, morally and legally, that the refunding act of 1870, like any other law, should be construed in accordance with the evident intention of those who enacted it. And it is beyond a peradventure that when the word "coin" was used in that act it was not the intention of Congress to include therein the silver dollar piece. Hence there is no ground for the contention that it would now be just and honorable to resume the coinage of the silver dollar on private account and with the dollars thus coined pay the outstanding interest-bearing obligations of the Government.

On the other hand, it is expressly declared in the refunding act of 1870 that all the obligations of the Government issued under its authority should be "redeemable in coin of the present standard value."

What was the coin then recognized as "of standard value?" When talking without this special point in mind our friends on the other side do not even claim that the silver dollar was then at par or that it was the standard. Over and over again we have heard them claim that at that time every silver dollar then in existence was worth 103 cents, that the silver dollar was "at a premium" of 3 cents. At a premium measured in what, Mr. Chairman? When we have answered that question, we have determined what was the real standard of value at that time.

There is only one answer, Mr. Chairman. No one contends that there can be any other. The answer is that the silver dollar was at a premium as *measured by the gold dollar of 25.8 grains of standard gold*.

Thus by their own testimony, Mr. Chairman, do we establish the fact that in 1870, when the refunding act was passed, the "coin of present standard value" was gold coin made at the rate of 25.8 grains of standard gold or 23.22 grains of pure gold to the dollar. It is in that coin or its equivalent, sir, that we are bound both morally and legally to pay the outstanding obligations of the Government.

That coin or its equivalent, Mr. Chairman. For, as a matter of fact, any and all kinds of money now in circulation in the United States may be used and are used in making these payments, because under our present system all of our money is kept at a parity with the gold coin above described. And the meaning of the bill now pending is that all of the obligations of the Government shall be paid, in the future as in the past, in gold coin or its equivalent, in that which was in 1870 understood by all men to be

"coin of the present standard value." [Applause on the Republican side.]

As to the defeat in 1895 of the proposition to authorize the issue of bonds specifically payable in gold coin, it is sufficient to say that nearly all of those on our side of the House who voted against the proposition did so because, holding that *all* our bonds are payable in gold coin or its equivalent, it did not seem wise to do anything which might be construed as permitting a question to be raised as to the character of payment due on the other obligations then outstanding.

"THE LAST BATTLE."

After the campaign of 1896, Mr. Chairman, the gifted leader of the "free silver" forces, a gentleman for whom I have only kind personal regard, published or furnished the material for a book entitled "The First Battle." In all human probability, sir, he will again be the standard bearer of his party. With him as the leader the platform will be of little consequence. He is his own platform. Under his leadership "free silver" can hardly fail to be a prominent issue, however much his counselors may endeavor to keep it in the background, for with that issue his name and fame are inextricably associated.

It is always risky, sir, to enter the field of prophecy. But I venture the prediction now that next winter the distinguished gentleman from Nebraska will not be burdened with public duties or responsibilities. He will have an abundance of time at his disposal and an abundance of materials in his possession for another book, an appropriate title for which would be "The Last Battle." For, sir, history shows that a nation having so far advanced in civilization as to adopt definitely the gold standard never abandons it. [Applause on the Republican side.]

After another and even more crushing defeat on the question of the standard, in the battle between honesty and dishonesty—for, sir, that after all is the real issue involved—it would not surprise me if our Democratic brethren would take time enough to think the matter over. On recovering from their hysteria they may upon reflection recall the fact that the gold standard, which we are now defending, was given to the country in 1834 by the Democratic party under the leadership of a man who had no sympathy with either dishonesty or disorder—Andrew Jackson. They may, on further reading of their country's history, discover that when the coinage act of 1853 was passed, whereby this country adopted the policy of coining silver on Government account, the Democratic party was in control of both Houses of Congress, and that impartial history credits to the Democratic party the solution of the problem of getting gold and silver to circulate side by side in the channels of trade. What the Democratic party most needs at this time, sir, is an increase in proper party pride to guide it out of the Populistic slough into which it has been led.

THE PRESENT NATIONAL-BANK SYSTEM NOT AN IDEAL ONE.

Turning now to the banking feature of the bill, I regret that the short time remaining at my disposal will not allow me to do more than touch upon a few fundamental principles. I shall not in this part of my remarks, as I did not in those thus far made, attempt to discuss the details of the bill. That field was most admirably covered by my friend from Indiana [Mr. OVERSTREET].

I do not, Mr. Chairman, regard our present national-bank system as an ideally good one. My reasons for thinking so were given in my report on H. R. 10389 in the last Congress and need





not be repeated in extenso here. We expect as a nation to pay our outstanding obligations. With the disappearance of our bonded indebtedness, if not sooner, will come the necessity for a complete revision of our banking system. I believe that a better one can be devised. But the present system has certain transcendent merits which must not be lost sight of or allowed to lapse. It is advisable on many accounts that the transition to a better system shall be a gradual one, taking its beginning in what we have. I believe that in the interest of the people our system of bank-note issues should be carefully and prudently liberalized. Because this bill moves in that direction, even though very slightly, I am in favor of it.

Though I do not regard the present banking system as an ideal one, as I have said, I can not forbear defending it from one charge that has been and probably will again be brought against it. Though apparently unimportant this charge has really had much influence on the mind of people unfamiliar with the subject.

THE NOTE-ISSUE IS NOT A LOAN BY THE GOVERNMENT TO THE BANKS.

Some years ago, Mr. Chairman, an old friend of mine said to me: "I am against the national-bank system because it provides a way whereby the banks can make a profit of 900 per cent a year at the expense of the Government." Wondering at his statement, but knowing that he had some reason that was satisfactory to himself at least for making it, I asked him to explain. In answer he said: "The Government lends money to the banks by giving them notes to circulate as money. On this money the Government charges a tax or interest of 1 per cent per annum. The banks lend these notes, getting for their use 10 per cent per annum. So for what costs them $1 they get $10, and that you know is a profit of 900 per cent."

I had supposed, sir, that such notions were buried years ago with the old subtreasury scheme of the Populists. But from statements recently heard on this floor I judge that even some members of Congress still entertain notions akin to those of my old friend. Inasmuch as the national banking system will be under discussion somewhat in the coming campaign, it may not be amiss, as above stated, to correct what appears to be a misapprehension. A plain statement of the truth can do no harm, and may do good.

If one of us should go to a printing office and get a bunch of blank promissory notes to be filled out, signed, and used whenever we wish to buy a horse or other piece of property, which we can not then pay for, would it ever occur to us to say that the printer had given or loaned us money? Hardly. No more than if we wrote the note on a piece of blank paper purchased from him. The note issued is our note. It is to be paid at maturity, not by the printer, but by us.

Would it alter the case any if there were only one printer who could print blank notes and he required every person getting blank notes from him to leave with him sufficient property to guarantee that the notes would be paid when due? No; because the printer would then become simply the trustee or custodian of the property furnished by us to secure our own notes. But under such circumstances the printer would probably print on the face of the note a statement to the effect that it was secured by property held by him; and then to protect his own good name he would find it necessary to print on each note the amount promised by it, so that the people to whom the note blanks might be issued

could be prevented from filling them in with amounts greater than the property held in trust for their payment would justify.

The Government is the printer of the blank notes for the national banks. The promise to pay is the promise of the bank, not the promise of the Government. The bank, not the Government, must furnish the means of payment. The Government is also the custodian of certain property of the bank, which is held in trust for payment in case the bank should fail to pay out of its other money or property. What the Government hands out to the bank is simply the blank, unsigned note of the bank—the bank's promise to pay—which, on being signed by the proper officers of the bank, becomes the obligation of the bank.

It is apparent, therefore, that the note issue is not in any sense a loan by the Government to the banks.

WHY THE GOVERNMENT PRINTS THE NATIONAL-BANK NOTES.

But why does the Government do the engraving and printing of the notes of the bank? And who pays the expense of such engraving and printing?

The answer takes us back to the origin of our present system of national banks. In the midst of the civil war the credit of the Government had sunk so low that it became necessary to take extraordinary steps to increase its credit and create a market for its bonds. With this object in view an act was passed that banks issuing circulating notes should be taxed at the rate of 10 per cent per annum of the face of such notes. But provision was made that circulating notes might be issued with a tax of 1 per cent if the issuing bank would comply with certain conditions, the most important of which, in connection with our present inquiry, was that each bank desiring to issue notes should buy Government bonds and deposit them with the Treasurer of the United States as security for the payment of the notes issued. Upon the deposit of bonds, as aforesiad, the bank was authorized to issue notes not to exceed in amount 90 per cent of the face value of the bonds deposited. With this brief and incomplete statement before us, we are in position to answer the questions proposed above.

Why does the Government engrave and print the national-bank notes? There are at least three good reasons for that course:

1. Under our system of bond-secured notes it is necessary for the Government to have charge of the engraving and printing of the notes in order to control the volume of their issue. On the face of each national-bank note is the statement that it is secured by the deposit of United States bonds with the Treasurer of the United States. If the Government could not control the volume of notes issued by each bank it would be possible for the banks to issue more notes than the deposit of bonds would justify. The first and great reason, then, why the Government engraves and prints the national-bank notes is to be sure to *keep the issue of each bank within the bounds prescribed by law.*

2. An incidental gain in having the notes all printed at one place is that thereby is secured to all the notes *uniformity of appearance.* Instead of having to become acquainted with a thousand different forms of such currency, people have to learn to recognize only one.

3. Another incidental gain in having the Government do the engraving and printing of the notes is that in that way we secure always the very best of engraving, and thereby *the danger of counterfeiting is reduced to a minimum.*





All the expense of engraving and printing is paid for by the banks, respectively, each paying the expense connected with the issue of its own notes.

As to the alleged profit in issuing national-bank notes, it will suffice here to say that after buying its bonds at a premium and paying the expenses incident to the note issue the national banks find little or no profit in the note issue. Their principal profit in organizing as national banks comes from the fact that the very title "national bank" gives them a certain prestige in the community, whereby they increase their business.

THE ISSUE OF PAPER CURRENCY IS NOT A GOVERNMENT FUNCTION.

Many good and honest people sincerely believe that the issue of paper currency is a Government function. Indeed, my talented friend from Missouri [Mr. COCHRAN], for whom I have great admiration, surprised me the other day by saying in his speech that he entertained that opinion. I am sorry that my friend is not here this afternoon, for I would like to ask him a question. But perhaps some other strong man on that side of the House will answer it.

The question is this: If it is the function and duty of the Government to issue the paper currency, why, during all the years before the civil war, when the Democratic party for so long controlled the Government—why, I say, was no Government paper currency then issued? And if it be good Democratic doctrine that the Government should issue the paper currency, why did the Democratic party oppose the issue of the greenbacks? Are the utterances which we hear, Mr. Chairman, to be taken as further evidence that the Democratic party of to-day is denying the faith of the fathers of the party?

A distinguished son of Connecticut, Mr. Jacob L. Greene, in an address before the Hartford Board of Trade on November 23, 1897, put this matter so admirably that I can not forbear quoting a part of his address. Mr. Greene said:

CREDIT CURRENCY BUT AN INSTRUMENT OF TRADE.

No statement can be more apparently trite and unnecessary than this: That the distinguishing characteristic of a paper currency, because its only source of value, is that it is a credit currency; that it is not money in any accurate sense, for it is not the substance of value—that is, property itself; that it simply represents either the metal money it promises or some other actual property substance of a value expressed in terms of that money, which money or value have not yet passed to the possession of the credit holder, but are promised him thereby; that it is but a title deed to property purchased, but yet to be delivered; that its value as currency depends entirely on the existence of and its control over the money or other property the right to which it conveys. But this simple, but oft forgotten, distinguishing fact bears directly on and determines three points, viz: (*a*) Who should utter such a credit—that is, who should be a borrower, emitting a currency evidencing his debt and promising its payment to bearer at sight, expecting it to be commonly and unhesitatingly received? (*b*) Where is the property, whence derived, and by whom held which is to liquidate the promise? (*c*) How is that property secured to the performance of the promise?

Another fundamental fact with a like definitive and limited bearing is this: Money and those other forms of currency which are not money themselves, but which promise it, are but the instruments of trade, have no use or existence apart from it, are developed out of, and in their nature and incidents are properly determined by, the exigencies and convenience of trade, which is the exchange of properties by their owners for mutual advantage, one property for another property, either of which may be actual money, or some other form of property substance or of service, measured in quantity by its value in such money. Money is useful and valuable only as it is or can be employed in trade and commerce. The credit currency is truthful and useful only as it has behind it the actual money or other property convertible into money, which it professes to promise or to represent, ready to be produced as properly demanded.

A third equally trite but fundamental and determining fact is this: Government is the organized instrument of a people in their political capacity only, and for the accomplishment of political purposes. Trade is not a political act or matter. The properties it exchanges are not owned by political bodies, but by private persons; they are not exchanged by governments, but by the citizens of governments; and the ownership and exchange of properties, whether material substances or valuable services, by the citizens of a government are not by virtue of their political relationship nor in their capacity as citizens, whether under one political form or another, but by virtue of the purely natural, economic, mutual relations of persons, each of whom has something the others need and needs something the others have. Every relation of trade, of need and supply, of production and consumption, of possession and want, as well as as every incident of the complex machinery whereby each most effectively answers the call or meets the offer of the other, is purely personal, individual, and nonpolitical; personal, individual, and nonpolitical in the need; personal, individual, and nonpolitical in the possession and exercise of the talent and faculty which can make response.

GOVERNMENT UNFITTED TO ISSUE CREDIT CURRENCY.

Two main propositions grow inevitably out of these facts as they bear upon the matter of a credit currency—the one by necessary exclusion, the other by necessary inference and as the only alternative:

First. The government, not being in trade, being neither buyer nor seller, producing and owning none of the properties which enter into trade, and having no property or resources whatever, except such as it takes from its citizens through taxation for its expenses of administration of whatever character, has no natural relation to the creation of a credit currency except to provide proper and effective legal remedies to safeguard it, and is not the proper party to issue it. Such an act is wholly foreign to its political functions of which commercial operations are no part in theory or fact. Moreover, government can not issue a credit currency and get it in circulation except by borrowing the amount for which the issue is made, nor can it make such a borrowing for such a purpose anything other than a forced loan unless it pays interest on its currency issues and sells it for what it will bring on its interest basis. It has no property with which to redeem, and only by taxation of its citizens can pay its debt to them, which act would extinguish the currency itself.

Manifestly, a government can not be an issuer of a legitimate and permanent credit currency. It can, by coinage, certify the quantity and quality of the money metals brought to it for that purpose by its citizens, and provide the proper remedies and machinery for the enforcement of the many commercial contracts made by them. These are its proper political acts respecting the commerce and business of its citizens. But it has no other natural or permanent relations with trade, the properties involved in and constituting which are the foundation and only source of all true credits—that is, of credits with existing property behind them for their solvency. For property precedes and creates credit. Credit which precedes property is speculation.

* * * * * * *

It is a common assertion that a currency issued by government or one founded upon other debts of the government has the whole wealth of the nation behind it for its solvency—a promise to the ear which has been broken to the hope through all history. A government currency, no matter what its name or form, has behind it only that margin of the wealth of the country which can be extorted by taxation for the purpose of currency redemption. The question of the solvency of a currency in anywise representing a government debt is the question of how much taxation the people will stand in order to pay the debt. Our own colonial and Revolutionary history alone has been full of answers upon that question, fatal to the truth of the theory. The wealth of the country is actually available for such a purpose in only a very small part.

THE MAKING OF NOTES IS A PERSONAL RIGHT.

If a farmer needs a team of horses to put in his crop but has not at the time the means to pay for the team, and if a neighbor has a team which fills the bill and which he is willing to let the farmer have on his written promise to pay at a specified time in the future, whose permission would you deem it necessary for the farmer to ask before giving his note and closing the deal? Does anyone believe that the permission of any public officer should first be secured? Does anyone need to be told that the right to issue that note is an inherent personal right of the farmer?





Suppose that three or four farmers conclude that they would like to buy and operate a threshing machine, but have not the means at hand to pay for one. Suppose that the threshing machine company is willing to let the men have the machine, to be paid for later, taking in the meantime their written promise to pay. Whose consent should those men be required to get before giving their joint note? Is there anything necessary except that they give the note voluntarily and that with equal freedom of choice the machine company accepts it?

Take the case of a cooperative creamery company which needs a new piece of machinery which it can not at the time pay for. Suppose that a company which manufactures such machinery is willing to let the creamery company have the machine, taking its note, properly signed by the officers of the company, whose business is it? Whose consent is needed other than that of the creamery company and that of the machinery company?

Suppose that the farmer who in the first illustration sold the team, taking the farmer's note, wishes to buy a flock of sheep from a third party and that third party is willing to accept in payment the note of the farmer given for the horses. Whose permission should be asked before the trade is made? Is it not evident that the note could be passed on from one person to another as a means of effecting exchanges, the condition being that each party to each transaction proffered or accepted the note of his own free will?

Would it alter the case any if the note were one payable on demand instead of at a future time? Certainly not. Would it alter the conclusion if the note were issued by several people jointly and payable on demand? Most assuredly not. Would it invalidate our conclusion as to the inherent right of note issue if the note were made payable on demand and were issued by a company, say by a creamery company? Certainly not. Would it be considered a detriment to the note or an objection to its issue if the company issuing it kept itself at all times ready to pay on demand, as promised? Hardly. But the only kind of a company which, in the nature of things, can keep itself at all times ready to meet its demand obligations is a bank. Therefore what?

It will be found upon examination, sir, that legislation in relation to banks does not confer privileges, but restricts natural rights.

THE EFFICIENCY OF BANK CURRENCY.

Bank checks and drafts and bank notes constitute by far the most important part of our currency. For example, on January 1, 1898, the total volume of our currency was as follows:

| | |
|---|---|
| Gold coin and certificates | $584,126,649 |
| Silver coin and certificates | 503,906,973 |
| Government demand notes | 409,239,863 |
| Total Government currency | 1,497,272,885 |
| National-bank notes | 223,857,755 |
| Deposits subject to check | 3,210,705,758 |
| Total bank currency | 3,434,563,513 |

In the above table the "deposits subject to check" are those in national, State, and private banks. This does not include deposits in savings banks or other deposits not subject to check.

The volume of bank currency, therefore, is more than double that of government currency. Moreover, it does an immensely larger proportion of the actual work of commerce. The last investi-

gation of the Comptroller of the Currency to determine the relative usefulness of our various forms of money and currency, made July 1, 1896, showed that of every $100 of business transacted through the banks the several forms were used in the following proportions: Gold, 60 cents; silver, 50 cents; greenbacks, silver certificates, Treasury notes, and national-bank notes, $6.30; bank checks, drafts, etc., $92.50. The clearing-house returns of the country show that the bank checks and drafts constitute a currency which annually performs exchanges of property to the amount of over $50,000,000,000; and a great many checks, estimated at $20,000,000,000, are used as currency every year which do not go through the clearing houses.

WHY THERE ARE LIMITATIONS ON BANK-NOTE ISSUES.

No one would think of objecting to a bank's receiving deposits payable on demand on presentation of checks. But the bank note is simply a demand obligation of the bank, essentially like the check. Why, then, should the public interfere with the issue of bank notes? Why should the Government limit the right of the bank to issue its demand obligations in the form of notes, which for some of its customers may be a more serviceable form than the check? The purpose is not primarily to protect the holder of the note from loss, because he accepts the note voluntarily, and has his legal remedy as when he takes any other note. The bank note has no legal-tender quality as between individuals, and of course should have none. *No note should be of compulsory acceptance.* No one should be *compelled by law* to accept a promise, no matter by whom made, as the fulfilment of an obligation.

Until well along in this century the issuing of notes was regarded, and is still in certain sense regarded, as inherent in the nature of a bank. The reason for the regulation of bank-note issues was exceptionally well expressed by former Secretary of the Treasury Hon. Charles S. Fairchild in his statement before the Committee on Banking and Currency in January, 1898. He said:

I conceive that the way Government gets its right to interfere as to these demand obligations is this: They were found to be a most useful instrument in transferring property and services from man to man. To attain their highest usefulness, however, it was necessary that they should have great rapidity of movement, and in order to attain that rapidity of movement the receiver of them must be saved the necessity of looking to the credit of the issuing party, whoever he might be.

Therefore Government properly came in and devised a system by which they shall be issued and then certifies that they are issued under that system. So that a man who takes a note, if he knows how good the system is, can know how good the note is, and he does not have to stop to look further. He has to know one large thing instead of a vast number of smaller things.

Now, that is the same service exactly that the Government performs when it coins pieces of bullion. In the case of silver another service is performed, because with the silver dollars the Government has put a certain degree of promise behind them; but take a piece of gold—and it would be the same way with silver if we had the free coinage of silver with no Government credit behind it—and what the Government does in that instance is simply to take the piece of bullion from the owner of it and put it in a certain form and certify that it is such a quantity and of such a quality. The Government does not contribute any capital; it does not put anything into the bullion transaction; it does not confer much benefit upon the owner of the bullion, because he could put the weight and the quality on it if the Government did not do that, but it does confer a very great benefit upon the people who want to use that bullion for the transfer of their property and services, in that it saves them the trouble of assaying and weighing.

The Government does the same thing with a bank note. It does not put any capital into it. It does not give it any credit, except that it provides a system and certifies that it is issued under that system. The Government performs a great service in that way, of course, to the people who want to use bank notes, and in both cases it performs a great service to the whole community in that it diminishes the amount of bullion and the number of





bank notes necessary to carry on the transactions of the community, because it gives them both greater rapidity of movement and causes less of them to be required for the same volume of transactions.

If that is a true statement of the Government's functions in regard to bank notes, it has always seemed to me we should approach the subject with the fact in view that the duty of Government is not to repress these things, but to go on in the direction of the principle, the philosophy, which has given it its right to interfere at all, and simply provide for the greatest facility of movement, that being dependent on the goodness of the system that it devised, and, having done that, leave the people to take care of themselves.

Mr. CLAYTON of New York. Mr. Chairman, in view of what the gentleman from Minnesota has said, I would like to ask him if he would favor a return to the issue of State-bank notes?

Mr. McCLEARY. My dear friend, the memory of years gone by admonishes me that there is a place where the police power of the Government had better be exercised. [Applause and laughter on the Republican side.]

Many years ago a man running a steamboat down the Missouri River found that he was almost out of wood. He kept watching the shore line to find some. You know the Missouri River is not prolific of wood piles throughout its whole length. He finally came to a clump of trees, and right on the bank was a pile of wood. He said, "Ahoy there!" No answer. Again he said, "Ahoy there!" Pretty soon a man came out and said, "Well, what do you want?" "Is that wood for sale?" "Yes; what do you think I piled it up here for? Just for fun?" "Will you take State-bank notes for it?" "Why, certainly." "How?" "Even up, cord for cord!" [Laughter and applause on the Republican side.] That, sir, indicates what my answer to the gentleman's question might be.

Seriously, however, Mr. Chairman, the odium attached to many of the State-bank systems does not apply to all. The systems of Massachusetts, New York, Ohio, Indiana, and Louisiana were all safe and performed an exceedingly valuable service. They are well worthy of our study to-day.

Mr. SIMS. Will the gentleman permit another question?

Mr. McCLEARY. Certainly, Mr. Chairman.

Mr. SIMS. Would it not, in your opinion, be better to redeem the greenbacks and destroy them utterly than to treat them as you people are treating them in this bill?

Mr. McCLEARY. As the gentleman says, this bill does not in any way point to the retirement of the greenbacks. It simply makes provision against what has come to be known as "the endless chain."

On my own responsibility as a man and as a Representative, and disclaiming any right or purpose to speak for anyone else, I am perfectly willing to say to the gentleman, since he asks my opinion, that in my judgment it would be the wise thing for the Government to keep its promise, gradually and prudently pay the greenbacks, put them into the fire and burn them up, or otherwise retire them from circulation, just as you or I would do with our promissory notes. [Applause on the Republican side.] This view I have expressed to my constituents on numerous occasions; and while some of them honestly differ with me on this point, they expect me to speak the truth and express my convictions here or elsewhere.

It is to be understood, sir, that what I have just said is said on my personal responsibility. I do not presume to speak for anyone else.

Mr. HILL. Count me in.

Mr. RIDGELY. I hope that the Official Reporter will note the applause on the Republican side of the House in response to the proposition to burn the greenbacks.

Mr. McCLEARY. The proposition to retire the greenbacks should be met with approval by Democrats, for in the national Democratic platform of 1876 there is a plank "denouncing" the "failure, for all these eleven years of peace, to make good the promise of the legal-tender notes, * * * the nonpayment of which is a disregard of the plighted faith of the nation."

Mr. CARMACK. I understand the gentleman to say that he thinks that will eventually be done.

Mr. McCLEARY. I am not a prophet nor the son of a prophet, sir. I am merely saying what I should like to see done, because I believe in my heart of hearts that it is the wise thing for the people of the United States to do.

WHY THE GREENBACKS SHOULD BE RETIRED.

And now, Mr. Chairman, since the subject has come up, let me give one or two of my reasons for thinking that the greenbacks should be retired. This will divert a little from the course of my remarks, but the diversion may not be amiss.

Mr. HILL. It is a good diversion.

Mr. McCLEARY. My time has almost expired, and I must be very brief. Moreover, I discussed the subject at length in House Report No. 1575, Fifty-fifth Congress, second session.

In the first place, they should be retired because national honor demands it. When these notes were issued, the action was justified only by the necessities of the nation. Their issue was believed to be necessary to the carrying on of the war for the preservation of the Union. But it was expressly stated and understood that as soon as possible after the necessity had been met they should be paid and, of course, canceled and retired.

And no sentiment of gratitude can here weigh in the minds of those who believe that "the greenbacks saved the Union;" for even if that were granted, which it is not, the sentiment could only apply to those particular notes which were in circulation during the war, and they were all canceled and destroyed long ago. Those now in use had nothing to do with the war. Their continued use must be defended as part of a system if it can be defended at all.

The CHAIRMAN (Mr. ALLEN of Maine). The time of the gentleman from Minnesota has expired.

Mr. McCLEARY. I should like about ten minutes more.

Mr. SIMS. I hope the gentleman from Minnesota will get the extension of time. You could not give it to a gentleman who would handle the subject better on your side.

Mr. OVERSTREET. I ask unanimous consent that the gentleman have ten minutes more.

Mr. RICHARDSON. I suppose that is to be charged to your side?

Mr. OVERSTREET. Charged to this side.

The CHAIRMAN. Is there objection to the request?

There was no objection.

Mr. McCLEARY. I thank the committee for its courtesy, and shall try not to trespass on its patience.

As I was about to say when the Chairman very properly interrupted me, I shall not attempt to discuss the matter in all its phases or try to present all of the many reasons for the retirement of the greenbacks.





One great reason for retiring them—one that has not, so far as I know, been clearly brought out—is that, being a credit instrument in form and partly in substance, they yet fail to perform and stand in the way of the performance of the chief function of a credit instrument, namely, to effect a reduction of interest rates. It must not be forgotten, Mr. Chairman, that there are borrowers as well as lenders in this country. A proper system of credit instruments and agencies helps to lower interest rates. Let me illustrate.

CREDIT CAN BE LOANED CHEAPER THAN CASH.

The corner stone of my argument on this point is the proposition that credit can be loaned cheaper than cash.

Suppose that I own a farm with a nice meadow and a good stream of water. It is a fine farm for fattening cattle, but I have few to feed. A short distance away lives a man who has bought a lot of cattle only to find that he lacks the faculty and his farm the facilities for handling cattle successfully. He offers his cattle for sale. I come to you and lay before you this proposition: "I can buy the drove for $500. Having plenty of pasturage, I can fatten the cattle in a few months and turn them off at a profit. I ask you to lend me the $500."

You inquire why the man owning the cattle wishes to sell them and I tell you that he owes the $500 to Mr. Blank. You say, "I know Mr. Blank. He does not need the money. He has simply become afraid to trust the other man. He and I have done business together for years. I will tell you what I will do. Instead of lending you the money, I will indorse your note. The man with the cattle will accept your note with my indorsement, because he can soon find out, if he does not already know, that Mr. Blank will gladly accept that note and discharge the obligation of the man who has the cattle."

Now, I ask which you could afford to do for me at least expense to me—go down into your pocket and let me have $500 in cash, every dollar of which cost you a hundred cents' worth of labor or property, or let me have the use of your good name; that is, your credit? There is no room for doubt as to the answer. Credit can be loaned so cheap that we often loan it to a friend without making any charge. That, of course, is friendship, not business, but it illustrates what I desire to impress—that credit can be loaned cheaper than cash.

In the case cited, after fattening and marketing the cattle I could pay the note which you indorsed for me and have a good profit left. This profit was made possible by reason of your kindness in loaning me your credit or insuring mine. By insuring my credit you rendered me a valuable service, for which I could well afford to pay you a reasonable sum.

THE FUNCTION OF BANKS.

If you should go into the business of insuring credits for others as you did for me, guaranteeing the credit of any man of good character engaged in legitimate business, like that in the illustration, it would not need any proof to show that you would be performing a valuable public service.

But that is precisely the function of banks—to insure the credits of people engaged in business. Originally the banker simply indorsed the note to be insured, as in the illustration. Later he kept the note and gave his own instead, exchanging his well-known credit for the less-known credit of his customer.

Later still, he gave his customer a credit on his books and authorized him to check against it.

The banker should be able to effect this exchange of credit in the way that will best accommodate his customer. In places that are thickly populated, so that the people have convenient access to the banks, the form of bank credit usually preferred is the book credit to be checked against. But in the country districts the form preferred is the note or "bill," because it can be used by simply passing from one person to the other.

BANK NOTES VERSUS GREENBACKS.

The true bank note is just like your note or mine in that it comes forth when needed and retires when its work is done.

In the illustration above, where the cattle were bought, my note was brought into existence by the purchase of the cattle. It remained out, and passed on to the hands of a third party, performing the function of currency in satisfying a debt, and finally was paid and canceled when I sold the cattle. It was just as important to me to have it retire when its work was done as it was to have it promptly usable when I needed it. Speaking of that note as part of the currency, we notice that it was created in the process of producing something to satisfy man's needs, and was canceled in the process of consumption. Similarly, a true bank note comes forth when needed in business, circulates from hand to hand while there is work for it to do, and then when it is no longer needed it goes back into the bank.

The important thing to note is this: *While the bank note is in the till of the bank it is costing the community little or nothing*, because it costs the bank practically nothing to keep it in its till, just as it would cost you nothing to write a note payable on demand and then put it away in a safe place without using it.

But if the bank lends greenbacks *the community must pay for them, not only while it is using them, but also while they are in the vault of the bank*, because to the bank they are property which contains an investment of a hundred cents to the dollar.

Did you ever stop at a "summer hotel?" Did you ever wonder why the rates are higher than at a regular commercial hotel, open the year round, giving the same quality of service? You can readily figure out the reason. The "summer hotel" is open and earning money only two or three months of the year. But the owners have their money invested in it the whole year round. So those who go to the "summer hotel" must pay in the few weeks enough to give a return on the investment for the whole year. Hence the rates must be high.

Those who stay at the hotel must pay not only for what they get while there but also a share of the cost of carrying the property during the season when it is earning nothing.

Let us see how this illustration applies in the case of banking. If the bank can lend only gold, silver, and greenbacks or Treasury notes, each of which costs it a hundred cents on the dollar to get hold of, it must charge interest sufficient to cover not only the time that its funds are loaned out, but also for the time when they are lying in the till of the bank unloaned. Like the hotel, they are property, and must be earning returns not only while the community is getting the use of them but also while the bank is holding them in readiness for the community to use.

But suppose that the bank can issue, under a system which will make them absolutely safe in the hands of the people, true bank





notes. The notes go out and serve the community, and for that service the community pays. The cattle buyer takes the notes or bills out into the country and buys cattle. The farmer uses part of them to pay his men. The men use them to buy goods with. The merchant deposits them and takes a credit on the books of the bank, to be checked against as he wishes. The notes have gone the round and served their purpose and are now back in the vaults of the bank. While lying in the vault of the bank they are not costing the bank anything, unlike the greenback under similar circumstances, and consequently the bank does not have to charge up to the community anything for carrying them.

In other words, *the community must pay for the use of the greenbacks all of the time, whether it uses them or not*, while it has to pay for the use of the bank notes only while it is using them. Change "community" to "country" and you will have the truth as applied to the country as a whole, namely, that the use of the greenback costs the country a great deal more than the same service through bank notes would cost. The interests of the country, therefore, are those which demand the retirement of the greenback.

It is evident that my argument is in the interest, not of the banker, but of the borrower; not of a class even, but of the country.

As I said before, this bill does not look to the retirement of the greenbacks. It looks only to rendering their existence as little dangerous as possible; and there is little likelihood that in the immediate future the question of their disposition will have serious consideration. But I submit that it is quite possible that in the not very distant future the question of the source of our currency, whether it shall be issued by the Government or by the banks, may become a matter of controversy in this country. And it behooves every man, especially every man who is in responsible public position, to give some thought to this question lest, as so many did in the silver question, he commit himself to a view which careful study will show to be untenable.

Personally, after considerable study of the subject, I am firmly of the opinion that we should move away from a political currency toward a business currency; away from an inelastic and unresponsive currency toward one which is elastic and which responds promptly to the demands of business; away from the expensive currency which necessitates high interest rates to the currency which will give us, as a people, the best interest rates in the world. At some proper time in the future I expect to discuss more fully the question of this paper currency and its agencies. Time permits me now only to touch upon it.

While this bill goes only a little way toward liberalizing the bank-note issues, it probably goes as far as public opinion will now justify. The provisions which it contains are substantially those, so far as they go, which were contained in the bill reported by the Banking and Currency Committee last year. While this bill does not move as far as that bill did, it moves in the right direction, and therefore I shall vote for it.

WHAT ABOUT SILVER IN THE BILL?

Mr. SIMS. As the gentleman is always so kind in yielding to questions and so frank in answering them, I would like to ask him whether, from his point of view, it would not be better to call in the silver dollars and sell them as bullion than to attempt to keep them at a parity in the way provided in this bill?

Mr. McCLEARY. Mr. Chairman, the bill gives to silver, either as coin or as silver certificates, the entire work of pocket money. It is hoped and believed that in this way all the tremendous amount of silver which the Government has bought can be safely used and that none need be sold.

Answering my friend's question, I would say—again on my own personal responsibility, and binding no one but myself thereby—that since we are coining silver on Government account, the Government owes it to the people to see that they are supplied with all the silver coins that they need for business purposes and that the denominations of the coins should be those which they find most convenient. The quantity of silver bought should be determined wholly by this consideration. The Government has a right to buy silver for just one purpose, namely, to meet the demands of business for silver coin. It should buy silver on exactly the same principle as that on which it buys oats for its cavalry horses. It buys the oats to feed the horses, not to please the man who has oats to sell, and the amount of its purchases of oats should be determined by the needs of the horses and not by the urgency of the owner of the oats. If at any time the Government finds that, judging by the demands for silver coin, it needs more silver, it should buy enough to serve its purpose. If at any time it concludes that it has been prevailed upon to make an overpurchase, it should unhesitatingly sell the surplus.

CONCLUSION.

At some proper time in the future, as I have said, I hope to state at length what I conceive to be the ideal toward which our efforts in banking and currency reform should be directed. But for the present I have trespassed long enough on the indulgence of the committee.

We are nearing the close of the nineteenth century. How rich in memories of national achievement is that century! How splendid the glories of its sunset! Ere its close the people of the United States will again have spoken. Their verdict will be a vote of confidence in that party whose wisdom and patriotism they have never depended on in vain. Again will they place in the White House the far-seeing statesman and courtly gentleman who now adorns it. And the radiance of the present will shine far out over the years of the coming century! [Loud applause on the Republican side.]

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